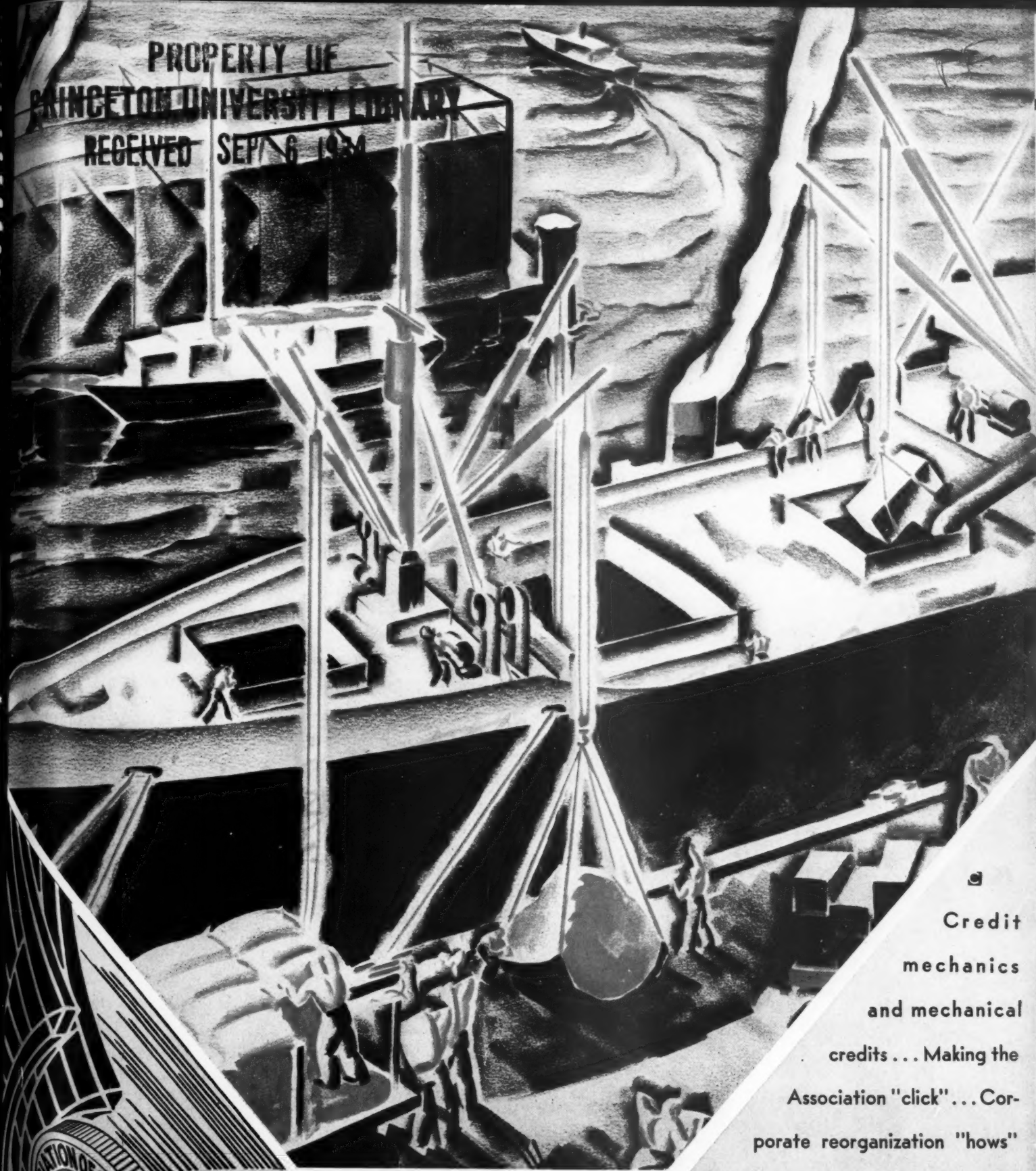


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Credit  
mechanics  
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credits... Making the  
Association "click"... Cor-  
porate reorganization "hows"

# CREDIT

## FINANCIAL MANAGEMENT

Published 1898.

Vol. 36, No. 9.

SEPTEMBER, 1934

25c a copy.

\$3.00 a year.



# WATCH YOUR DANGER SIGNALS



SPECIFY HOOPER-HOLMES  
CREDIT REPORTS

THE HOOPER-HOLMES BUREAU, INC.

102 MAIDEN LANE, NEW YORK

# Cooperation or Coercion

*Some thoughts for credit executives and the heads of business organizations—*

**L**EDGER experience information is the real test of credit responsibility. Fostering and developing the exchange of that information between creditors by the National Association of Credit Men is the one outstanding development in the field of credit. That development has resulted in the only real progress ever made in the elimination of unnecessary credit waste.

The exchange of that information has been successfully developed because it has been purely cooperative. The interests of the inquirer, the giver, and the customer have been mutually protected.

It has been axiomatic that such information should be used for credit purposes but not for sales promotion.

The present day value of ledger experience information lies in the fact that it is given freely and not forced. It is to be doubted if there is in the United States a single concern which would disclose its complete ledger experience information on all of its customers to all inquirers at all times without definite knowledge of the uses to which that information was to be put.

It follows, therefore, that if the giving of ledger experience information is forced, the value—even the dependability—of such information will be open to serious question. Should there be any serious question raised in the minds of credit executives on this point, it automatically follows that the whole system of exchange would be seriously endangered.

Should it be destroyed, the interests of sound credit will be set back fifty years.

Before you agree to give your ledger experience information to anyone, investigate carefully how it is to be used.

Remember, if you ever have occasion to doubt the advisability of giving true, accurate ledger experience information to any organization, there will inevitably be others of the same mind, and the information you receive from that organization in return is quite likely to be of little value and may be actually dangerous rather than helpful to you.

## Credit Interchange Bureaus

• • National Association of Credit Men • •

# The Sound Loan is the shortest cut to *Restored Credit*

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Bay City  
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Providence

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Beloit  
Eau Claire  
Fond du Lac  
Green Bay  
Kenosha  
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Madison  
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Oshkosh  
Racine  
Sheboygan  
Superior  
Wausau

ANY credit manager knows that people who can't pay old bills are poor customers for his business even though they may have the cash for current needs. But there is a method whereby old accounts, unpaid because the individual is submerged by numerous small debts, can be straightened out; that method is the Household Loan Plan.

Household makes loans of \$30 to \$300 to employed families keeping house, with husbands and wives as signers... offers a sensible, simple budgeting plan that will help the family repay the loan in regular monthly payments. These loans are made at the *lowest possible price* for "money at retail". In some instances, Household's charges are lower than the maximum permitted by the State Small Loan Laws.

This straightforward plan of reorganizing family finances will reinstate many worthy customers on your books if the suggestion is made at the right time. The helpful services of Household offices are found in 106 cities and surrounding communities, one no doubt near you. A booklet explaining the Household Plan will be sent at your request. Also, if you wish, we will send a number of these booklets to pass on to those individuals whom you believe will benefit by a Household Loan.

## HOUSEHOLD FINANCE CORPORATION

AND SUBSIDIARIES—56th Year of Service

Headquarters: 919 North Michigan Avenue, Chicago

**ABOUT THE COST** • Efficiencies never can reduce retail prices to the level of wholesale prices. However, when methods are devised which permit "retailing" money to husbands and wives on their signatures at rates lower than the 2½% to 3½% a month now charged on unpaid balances, Household will be found using those methods.



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### Looking ahead

The October issue of Credit and Financial Management will support the worthy "Fire Prevention Week" which comes this year during the week beginning October 7. Editorially we will feature articles about fire prevention methods, fire insurance and kindred subjects. Some points about coinsurance clauses in policies will also be considered in one of the articles.

Other features of the issue will be an article by Executive Manager Heimann and the first of a series of six articles on collection systems in use by various firms in separate lines of trade. These articles will be the work of H. P. Preston, whose work has appeared in our pages before. The October piece will be concerned with firms in the hardware industry.

### Our cover

The second in our series of covers by Wayn Smith appears this month and features shipping, thus tying in with the regular quarterly survey of Latin-American credit and collection conditions by W. S. Swingle, Manager of the Foreign Credit Interchange Bureau of the N.A.C.M.

# CREDIT and FINANCIAL MANAGEMENT

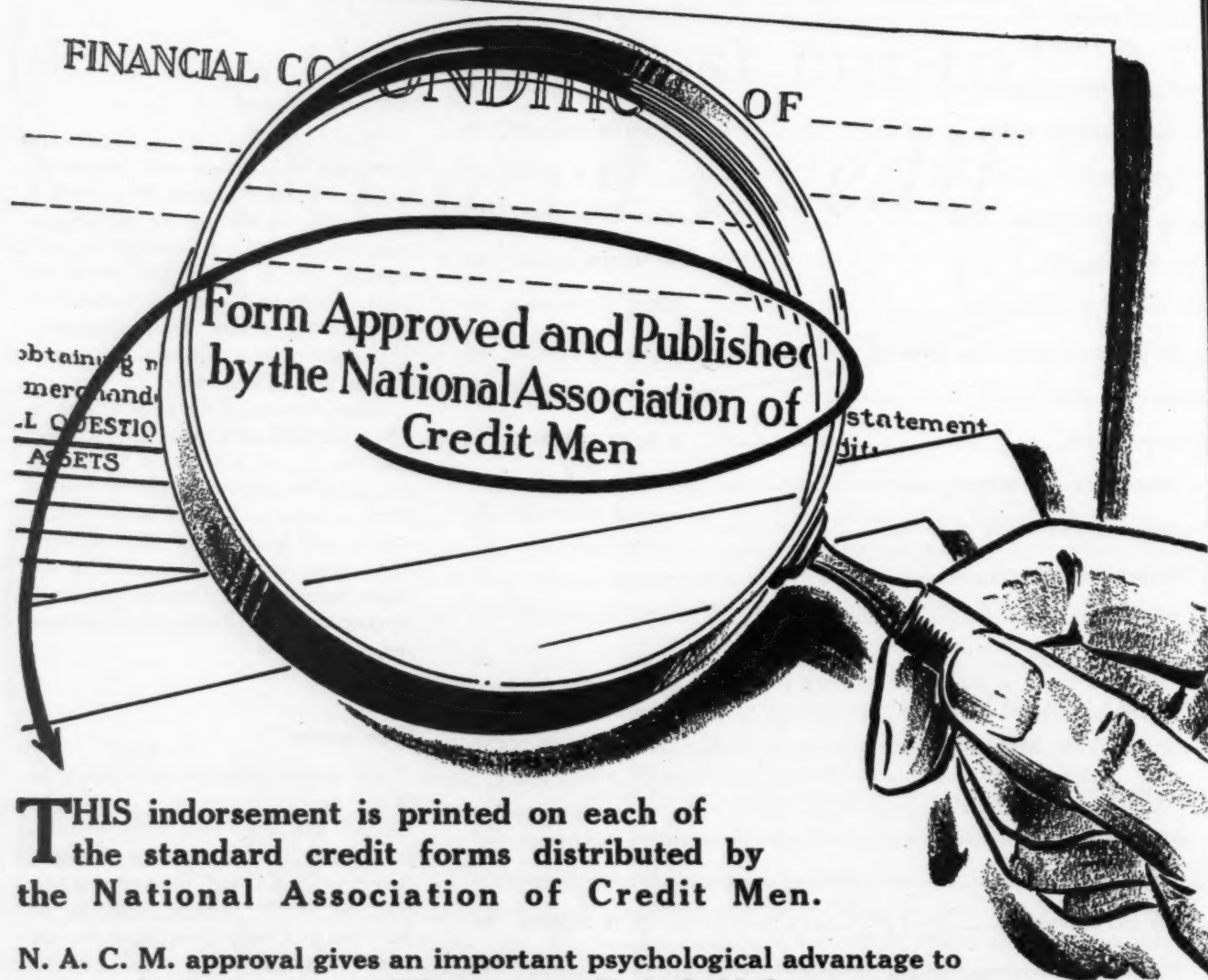
NATIONAL ASSOCIATION OF CREDIT MEN

Volume      Erie Avenue, F to G Streets, Philadelphia, Pa. —PUBLISHER—      One Park Avenue, New York, N. Y.  
XXXVI      Richard G. Tobin      Paul Haase      Clifford T. Rogers      Philip J. Gray  
Number 9      Editor and Manager      Associate Editor      Advertising Manager      Western Advertising Manager

Published on the 5th of each month by the National Association of Credit Men, Erie Avenue, F to G Streets, Philadelphia, Pennsylvania. Entered as second class matter December 22, 1933, at the Post Office at Philadelphia, Pa., under the Act of March 3, 1879. Subscription price, \$3.00 per year, 25c per copy, Canada \$3.50; all other countries \$4.00 postpaid. Copyright 1934, National Association of Credit Men. The National Association of Credit Men is responsible only for official Association statements and announcements printed herein.



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## "A cross of silver"

**EN** In any discussion of the silver question, there are two significant points that must be remembered.

1. In 1932 our *entire* silver output was *one percent* of our national wheat crop. It was considerably less in *dollar value* than our output of chewing gum or "Eskimo Pie". Silver does not account for one two-thousandth of our national income.

2. While seven states produce silver to the value of one-half of our peanut crop annually, those seven states have 14 Senators.

We must remember that silver and politics have been mixed long, though none-too-successfully, in the course of the United States' history. From the days of George Washington to the days of William McKinley, the United States was on a legal bi-metallic standard. Practically, it was on a single standard. The difficulty of maintaining a ratio which satisfied the market values of gold and silver, resulted in either gold or silver driving out each other according to whether silver or gold were over-valued in the coinage ratio.

In 1834—100 years ago—gold at the mint was made more valuable than silver in relation to the ratios prevailing in the open market. From that time on, silver disappeared slowly but surely, despite the acts of the silver interests to gain advantages through legislation such as the Coinage Act of 1853, the Bland-Allison Act of 1878, and the Sherman Act of 1890. In the 1896 campaign by William Jennings Bryan, the Silverites asked for a ratio of 16 to 1, although the market ratio was about 30 to 1. Had 16 to 1 been established, silver would have driven gold from circulation and the basis of inflation would have been present and probably have resulted.

The gold standard was adopted completely in 1900. Since then, silver had not made much headway until the depression.

It scored its first victory, although it was a minor one, somewhat over a year ago when the war debt payments were declared payable in silver and the President was allowed to coin such silver in generous amounts at his own discretion. On December 29, 1933, the silver purchase order provided for the buying of 24 million ounces annually at 64½ cents an ounce and a coinage of half of this, but the Silver Purchase Act of June 19, 1934, was more significant. It allowed the President to purchase up to one billion ounces of silver at a price not exceeding 50 cents an ounce.

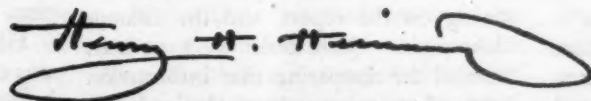
At 11:00 o'clock on the morning of August 9, the day the silver policy was announced, the Government saw the market quotations of silver rising until they reached 49½ cents per ounce. The Government acted—ostensibly was forced to act—to nationalize silver so that it could buy at the 50 cents an ounce allowed by the Silver Purchase Act of June 19.

The use of silver cannot be objected to if it is utilized on a market-price basis. To try to establish a ratio out-of-market as between silver and gold indicates poor judgment.

The Administration's announcement on the recent silver nationalization simply gives added strength to the belief that it is a purely political program. Aside from resulting in profit to silver speculators who had purchased in bygone months, and satisfying certain silver interests, it cannot have a material effect because people who analyze the Act do not become alarmed over the Act itself. What does cause them concern is the query: "What next?" Is the new silver plan a weather-vane indicating an inflationary breeze which may reach tornado proportions?

It was William Jennings Bryan who electrified a Democratic National Convention with the words: "You shall not crucify mankind upon a cross of gold."

Let us make sure that we are not crucified on a cross of silver.



Executive Manager, National Association of Credit Men

# Why Credit Interchange?

■ Credit control is like feeding cod-liver oil to an invalid; the dose is difficult to take but the resulting benefits cannot be questioned.

by A. W. SANDE, District Credit Manager, The Sherwin-Williams Co., Cincinnati, Ohio

**Q** "Why spend money for Credit Interchange Reports when I can get the required information from my customer's references?" was an old expression which emanated from a number of credit men in the old days, several of whom are not now working or are in other fields of endeavor.

Strangely enough, their loss of jobs was not, in most instances, occasioned by being "fired," so to speak, but because a good many of the concerns who depended upon the type of credit information that they used are not now in business. Beyond the shadow of a doubt, credit men in the last five years have found how foolish and inconsistent it is to rely upon that type of information.

In fact, based on our experiences with Credit Interchange Reports, I would be willing to wager that the credit record of any given group of credit men, guided by the consistent use of Interchange reports, would far over-shadow anything that could be achieved by credit men in similar businesses, using trade references cleared by direct inquiry.

Furthermore, drawing upon our own records for this information, unquestionably the credit group using Credit Interchange Reports would show in ratio a greater sales volume than those using direct inquiry, for the very significant reason that constructive control of credit does not destroy, but BUILDS business.

I think everyone of you credit men will agree with me that a large percentage of failures have been caused by uninformed creditors who unwittingly exploit beyond reasonable bounds the credit capacities of their customers.

If all of you wholesalers and manufacturers would use the Bureau information exclusively and religiously guide yourselves accordingly, not only would you make much better credit grantors out of your customers, but most impor-

tant of all, unemployment could be reduced to a considerable extent through a much lower mortality rate of the nation's business houses.

Now, let's consider carefully what kind of service a Credit Manager needs to control credit in such a manner as to build up the largest possible sales volume with the greatest degree of protection for his house. It seems to me that among the many important requirements of any credit service, four stand out very prominently: (1) Speed, (2) accuracy, (3) economy, (4) safety.

First, SPEED is a primary requisite of any type of reporting service, since an opening order of a new customer must have prompt and careful consideration. Also, credit extensions to old customers could not be properly controlled without it.

In 1932 and previously, we depended a great deal upon the direct inquiry method of securing credit information. However, upon comparing that service with the present method of using exclusively the Credit Interchange Bureaus, we have found that we have cut down the time required to complete the report on an average of about two weeks, at least. The Credit Interchange Bureaus, therefore, have solved for us the problem of obtaining credit information quickly.

Second, ACCURACY is essential in attempting to determine the actual condition of a customer's payables, as of today. It is a very simple matter, on the basis of accurate Credit Interchange information, to develop the percentage of past due payables of any customer, based on the total amount shown as owing on the report, and the amount delinquent. Quite often we have been startled on comparing that information with what we may have obtained, for instance, in a financial statement furnished by the customer himself. Frequently a customer's statement about his

payables in a financial report does not agree with the actual ledger experiences furnished in an Interchange report.

It is reasonable to believe that Credit Interchange information must be accurate when one considers that the contributors to it are the ones who ask for such information.

Third, ECONOMY in the cost of securing credit information is a vital factor. While most credit men consider the cost of Interchange as being very insignificant compared with the amount of money it saves during the course of the year, yet some folks will argue that it is more costly than obtaining reports direct from references. That, however, is an absolute fallacy for these reasons:

First, the postage alone required to obtain information from ten out-of-town sources would be sixty cents, one stamp on the envelope going out and one stamp on the return envelope, usually enclosed.

Secondly, our experience previously was that it took at least one more follow-up on fifty percent of the requests made, which would be an additional fifteen cents, or seventy-five cents thus far. Sometimes it is necessary to follow up once or twice after that, but we won't even consider that angle.

Third, stationery expense would be at least ten times greater than if Credit Interchange were used, because of the necessity of sending out at least ten requests direct for information, as against one to the Credit Interchange Bureau.

Fourth, it is an absolute fact that our own clerical work in obtaining credit clearances would be at least ten times greater in obtaining reports direct rather than through Credit Interchange.

Fifth, in some instances in the past, it was customary to send small fees to the banks and attorneys, which would range anywhere from fifteen cents up to one dollar, and while we don't know what amount spent would be accurate per order, I am pretty well convinced that it would add at least ten cents more to



the cost under the old system. Nine times out of ten, the information furnished from those sources would not help us a great deal, yet the fee was never returned.

I don't think it is unreasonable to assume that the cost of an old report under the Direct Inquiry system, incomplete and inefficient as it was, would run somewhere in the neighborhood of \$1.25 each, as against the Credit Interchange cost of fifty cents or less.

Another very important factor about the cost is this: that in the old days we paid out the \$1.25 mentioned whether or not we got anything back. However, the Interchange Agreement is, "No Information, no pay."

Fourth, the SAFETY of Credit Interchange information cannot be questioned for the reason that it is furnished without bias to a third and disinterested medium, the Credit Interchange Bureau.

You will remember in the old days of direct inquiries, all sorts of schemes were used to obtain accurate information about a customer's pay habits from a competitor. One very quaint method was to use a house agency letter-head, which was usually ignored by the competitor because he "smelled a rat."

Quite often, too, under the antiquated system of direct inquiry, a good many wild guesses were made by the people responding to them as to a given customer's financial ability or integrity. We, ourselves, have the results of some of those guesses on our Suspense books today.

At this point a good many folks are going to wonder whether or not I am selling Credit Interchange Reports, or

just what can be the motive for bringing out all of these points in favor of them. I want to say emphatically that everyone in our entire organization is thoroughly sold on them and will "go to bat" for Interchange anytime, anywhere, primarily for the reason that during these last few years they have been a decidedly important factor in helping us to retain our old customers by showing us how much credit they were entitled to for their own good.

Credit control can be compared with the remedy prescribed by doctors, of feeding cod-liver oil to the building-up of an invalid; the dose is oft-times hard to take, but the benefits resulting from it cannot be questioned.

As a small example of how it works and without any attempt to be egotistical, I want to mention that at the end of our fiscal year, August 31, 1933, in spite of the fact that every business calamity that could possibly happen did occur, our credit losses were only 7% of the previous year's. This year, while we are not able to state accurately yet, because of the incomplete figures thus far, we have eclipsed last year's record by a good margin, and at August 31, 1934, it is safe to say that our collections from Suspense will exceed our actual charge-offs.

We attribute this condition to a large extent to the fact that we have more than doubled our requests for Interchange reports during the last two years, and have eliminated direct inquiries.

The small added cost, if there actually is any, is insignificant compared with

the saving of \$11,000 that was effected in this District alone during the year 1933, plus whatever saving we will make this year as compared with the figures of 1933.

I can visualize a great many "doubting Thomases" making the remark to themselves, "Anybody can cut down losses by sacrificing some business." However, the Credit Interchange Reports enabled us to continue on with practically all of our customers and we took on a good many new ones, some of whom were slow pay, and occasionally a doubtful one would creep in, but we were able from the information given to know just exactly how much credit the customer could stand and still continue in business.

Both this year and last year I became a little apprehensive over the apparent tight control of credit, and quite frankly laid the matter before our Sales Managers at those times, and also talked the matter over at some length with a number of our representatives on the territories, but on reviewing the circumstances with these folks, no one was able to find any instance where we had turned down a possibility of valuable business.

Here's what we have found as a general rule: When a prompt pay customer slows down, it is generally a danger signal that must be heeded if one is to avoid a severe loss in some cases. It is our practice, invariably, when a discounting or prompt pay customer suddenly slows up and goes beyond the maturity date, to (Continued on page 45)

# Measuring business ability

An important factor in credit is capacity. Here is an interesting analysis of the second of the "Three C's of Credit."

**C**The analysis method described here is of greatest value in those special problems which lie quite outside the usual routine of the Credit Department.

It is probably true that the majority of credit decisions are based upon obvious data calling for no definite procedure of analysis. Small requirements from large customers or substantial orders from those of poor standing dictate their own credit arrangements. Credit extensions to individuals, as in retail selling, may involve interesting problems of investigation but seldom require employment of those methods so often used in analyzing the financial statements of corporations and partnerships.

Where credit granting is largely based on Balance Sheets and Profit and Loss Statements, a certain percentage of customers may represent "border line" cases demanding a variety of methods for analyzing and interpreting their figures.

Credit executives may find in these "border line" cases an unusual opportunity for shrewd diagnosis and for constructive sales cooperation.

Such cases often develop when:

- (1) A large order is received from a new customer.
- (2) An order is received from an old customer who owes a substantial past due balance.
- (3) Unusual credit accommodations are requested for sales reasons, i. e., to "build up" a small but able customer into a large and loyal one, or to prevent shut-downs in factory departments.

A variety of analysis methods may be helpful in the special investigations such cases often require.

Ratio calculations, standard ratios, straight percentage statements, trend percentages, and various analytical charting methods are common tools of analysis for the purpose of making Balance Sheets and income Statements more vivid.

by STEPHEN GILMAN



For a number of years in charge of the credit department of the Tennessee Coal, Iron & Railroad Company (a subsidiary of the United States Steel Company). Later a partner in the public accounting firm of Tanner, Gilman & Ellis of Chicago. For many years Vice-president of the International Accountants Society, Inc., now a subsidiary of the Alexander Hamilton Institute.

Author of numerous technical books and articles, his "Analyzing Financial Statements" published by the Ronald Press Company, first written in 1925 and completely rewritten in 1934, is a standard work on the subject.

But there is a particular application of one of these methods which is rather new and not in general use despite its demonstrated value. This method may be used to throw light on the vexing question of a customer's business ability. A customer's capacity to deal effectively with general business problems is an

important credit factor, ranking equally with his honesty and, where a continuous credit relation is anticipated, often taking precedence over his financial standing. Use of this method is based on the assumption that a customer's comparative business ability is reflected or measured by his comparative sales ability.

Obviously this is not always true. Every reader will recall corporations which established brilliant sales records but which were so inefficiently operated in other departments as to result in losses and ultimate disaster. On the other hand, without able sales guidance, business progress is impossible. Sales ability is more nearly a reflection of general business ability when the sales influence sanely affects every function of business—financial policy, design of product and the relations of general office departments with the buying public.

So, while we may recognize that the occasional concern with a splendid comparative sales record may not be blessed with able general management, nevertheless the reverse is probably true; that management ability does not exist where the comparative sales record is feeble.

As a preliminary step in diagnosing business ability, it appears that a survey of comparative sales accomplishment offers a valuable index.

The important word in this discussion is "comparative." Clearly the total volume of gross sales for one year is meaningless as an index. It is equally true that an increase or decrease in the gross sales of but one corporation may be equally meaningless. This is illustrated by the figures of the Ames Company (a fictitious name of an actual business).

ANNUAL GROSS SALES		Percent Decrease
	1932	
Ames Company.....	\$3,022,295	
" "	1933	
" "	\$2,787,433	7%

The credit man surveying the affairs of this customer will be unable to in-

interpret this sales decrease. It may be due to lower unit prices overbalancing a physical sales increase. It may be due to some inherent defect in sales management, design of product or other internal cause. It may be due to a general business situation or to conditions

peculiar to the industry. In no sense can it be said that this sales drop is an index of sales ability, or, by implication, of general business ability.

An entirely different picture is presented when the credit man compares the sales of the Ames Company with those of its principal competitors.

#### ANNUAL GROSS SALES

	1932	1933	Percent Decrease
Ames Company .....	\$3,002,295	\$2,787,433	7%
Barnes Company .....	3,980,202	3,190,250	20%
Case Company .....	1,496,975	1,051,209	30%
Drew Company .....	1,068,017	521,822	51%

Assuming that these four companies are true competitors and that there is nothing improper in this comparison, then the credit man may reach a fair tentative conclusion as to the sales ability, and the general business ability, of his customer, the Ames Company.

Despite a sales decrease the company ranks high on a comparative competitive basis. Lacking contradictory evidence, it appears that the Ames Company was able to manage its affairs more efficiently than others in the same industry. This method of comparison eliminates certain elements which would otherwise cloud the picture.

Consider for a moment the important matter of price fluctuations, or as we have been taught so vigorously of late, the matter of dollar fluctuation. From the figures of the Ames Company alone we saw that the sales decrease might have resulted from drastic lowering of sales prices even though the actual volume of merchandise sold was measurably greater. Since prices are largely uncontrollable no conclusion regarding sales ability could have been reached.

But the competitive comparison eliminates price change from consideration, it being a reasonable assumption that all four competitors are affected about alike.

We may also assume that all four are similarly affected by general business conditions or by conditions peculiar to their industry.

While none of these various assumptions can ever be blindly accepted in

any analysis, nevertheless they are generally valid if the companies compared are actual competitors as hereafter described.

The analytical method used here is known by various names. Statisticians call it the "index method" or the "method of relatives." It has become well known among accountants and other analysts as the "trend percentage method." It is usually applied by finding the percentage which any item in each subsequent statement bears to the corresponding item in the first of a series of statements.

The detailed calculation for the Ames Company is as follows:

$$\frac{1932 \text{ Sales } \$3,002,295}{1932 \text{ Sales } \$3,002,295} = 100\%$$

$$\frac{1933 \text{ Sales } \$2,787,433}{1932 \text{ Sales } \$3,002,295} = 93\%$$

Thus the sales of both years are expressed in their percentage relationship to the 1932 sales. This method is preferred to the "percentage increase or decrease method" already shown. The calculation involved is shorter, the finding of differences by subtraction being eliminated; and the presentation in tabular form is simpler, no separate notation being necessary as to whether a percentage represents an increase or decrease.

Applying this method to the sales of the four companies already discussed, the tabular comparison can be revised as follows:

#### ANNUAL GROSS SALES

	1932	% of 1932	1933	% of 1932
Ames Company .....	\$3,002,295	100%	\$2,787,433	93%
Barnes Company .....	3,980,202	100	3,190,250	80
Case Company .....	1,496,975	100	1,051,209	70
Drew Company .....	1,068,017	100	521,822	49

Percentages calculated as shown below indicate trends. For various analytical objectives such sales trends may be compared with trends of receivables, or, perhaps, of inventories of the same company. But our present problem contemplates only the comparison of sales trends of different companies.

Such trend studies may cover but two years or, if desired, may extend over a period of several years. But since such extensive trend studies may require some modification of the figures in order to compensate for sales increases not due to normal operating factors and since accurate reading of the trends may require that the percentages be charted on semi-logarithmic paper they may be dismissed with bare mention.

The use of the trend percentage method with only two years data is sufficient for nearly all requirements of credit analysis.

The claim, easily refuted in any case, that the value of the trend percentage method is dependant upon the base year being a "normal year," is even less important when the comparison is made of competitive sales covering the same periods of "normality" and abnormality." Many analysts find that the physical labor of calculating trend percentages is greatly lightened by the use of the slide rule, an instrument which is amply accurate for the purpose.

With these matters disposed of by mere mention, we may consider other phases of the analysis. One of the most important is the securing of sales figures for comparison. Thus the credit man may find it difficult to persuade even his own customer, the Ames Company, to furnish him with figures of annual sales. But where the credit problem of the Ames Company falls into the "border line" category, he may have to use some pressure or else resign himself to taking a chance.

More difficult is the task of securing the sales figures of his customer's competitors. Sometimes they may be secured through the commercial agencies. Often the figures of larger competitors are to be found in such standard manuals as Moody's, Poor's, Fitch's or others. The financial pages of newspapers and such publications as the Wall Street Journal, Barron's, or the Commercial and Financial Chronicle offer a wide variety of financial data that may be turned to good account.

The problem of securing such competitive sales information is admittedly difficult in some few instances but ingenuity and resourcefulness often seem to accomplish the (Continued on page 31)

# Mechanical credits and credit mechanics

☐ "The credit profession has suffered much from those who are looking for the easiest way; from those who are constantly eager to find thought-saving devices and formulas which will save them the necessity of evaluating credits for themselves. We have had too much 'bargain counter credits.'"

by DAVID A. WEIR, Assistant Executive Manager, N.A.C.M.

**C** Mechanical credits are a menace. Proper mechanics in credit handling is a necessity. The successful credit manager uses the finest credit mechanics obtainable but is usually the least mechanical in his methods. This seeming paradox is anything but a mere play on words. It is an accurate statement of an increasingly important fact, although it is a fact too often ignored or misunderstood. As a result of losing sight of the fact, business is burdened with tremendous unnecessary loss.

Let us admit at once that the responsibility for ignoring the distinction between mechanical credits and the mechanics of credit does not rest solely upon the credit man. Much of this responsibility must rest upon other executives who fail to appreciate the importance of the distinction or who even fail to recognize that a distinction exists. As a result the credit man is too often handicapped by penny wise and pound foolish economy which fails to provide him with proper and ample tools to be used in his work.

We must admit also, however, that there are still some credit men—not credit executives in the true sense of that term—who also fail to recognize the difference and who by such failure jeopardize both their own opportunities and the contribution which sound credits should make to business.

For the benefit of this minority among credit men and for some executives in other departments, it is perhaps well at this point to distinguish between the two terms used. By mechanical credits

reference is made to any attempt to place the evaluating of credit upon a rule-of-thumb automatic basis without recognizing the need for the use of individual judgment, ingenuity and foresight. By the mechanics of credit we refer to the equally important need for providing the evaluator of credits with the best material, tools and facilities possible to obtain, as an assistance in the formulation of sound decisions.

The credit profession has suffered much from those who are looking for the easiest way; from those who are constantly eager to find thought-saving devices, and formulas which will save them the necessity of evaluating credits for themselves. We have had too much "bargain counter" credits.

It will be unfortunate, therefore, if those who are dealing in credits attempt too much simplification of their tasks. Recognizing the value of codes and of certain provisions in codes for application to gross abuses in credit practice, it will be unfortunate if too much confidence is placed in codes as cure-alls for credit evils.

During the past year it has been an amazing thing to note the number of credit men who have expressed an almost sublime confidence in codes as the solution for their credit problems. These credit men fall into the common error of assuming that if drastic enough restrictions can be placed in credit codes, the millenium for the credit man will have arrived.

That point of view is patently a dangerous one. First, it should be appar-

ent that if all major credit problems are to be solved by code provisions there will be little or no place in business for the credit executive. He will drop back precipitously into a chasm from which he has emerged by slow and patient years of endeavor. He will once again be only a glorified bookkeeper, and not so very much glorified at that.

This fact is not the most important one except for the inconvenience and loss to the individuals whose status has been lowered. The important thing is that such a retrogression to mechanical credits would be by all means the most serious handicap to business recovery and progress that can be conceived of by any one.

Credits must be the motive power of recovery and progress. That statement has been so often made that it had become hancckneyed, but it is nevertheless true. Every measure being taken today in the direction of a hoped-for permanent recovery is built upon a credit foundation, whether the measure is a public or private one. Every important piece of recovery legislation proposed or enacted has credit as its center. In the very face of this belated recognition of credits and their importance, it is pitiable that some credit men are still looking for credit mechanization as a kind of Utopia.

During the past year, we in the office of the National Association have even had letters from a few credit men asking that we interest ourselves and the forces of the Association toward the end of providing for minimum wages and maximum hours for credit men, to be placed in industry codes. We have had requests that we attempt to work out three or four rules comparable to those which might be used in an ordinary mathematics course, which could be fol-

lowed by the credit man as absolute and complete checks in passing upon credits. Times too numerous to enumerate the suggestion has been made that there be a centralized credit bureau established which will give the so-called credit manager a *decision*, not an *opinion*, as to whether he should pass an order for merchandise. In the Credit Interchange files are many letters asking why the reports do not tell the creditor what action he should take on his orders received.

To be sure these examples are extreme and do not represent the standards of thought of the vast majority of those engaged in credit work. It is unfortunately true, however, that the work of the various business units and industries is so inter-related in maintenance of credit standards that even a small minority may jeopardize the constructive activities of the farsighted majority.

Just as the desire for mechanization of credit is a shortsighted policy, of at least equal shortsightedness is the practice of some companies in attempting to curtail excessively the expenditures of the credit department. This policy has been put into effect by some companies in two ways: first, through attempts to secure "cheap" men to handle credits; second, through drastic limitations upon the amount which may be expended by the credit managers for the tools needed if he is to render the most efficient service.

It is a rare business which has not been forced to curtail expenditures during the past few years. No one appreciates more than does the man in credit work the necessity for a balanced budget and for cutting expense when income is down. The credit executive should be and we believe has been a hearty cooperator in making these necessary readjustments.

The mistake has been made in some cases, however, of imposing upon the credit department a burden of standing a degree of curtailment out of proportion to that assumed by other departments. At a time when it is so generally accepted that credits must represent not only the keystone to recovery but the chief motive force for business progress of the future, the fallacies of such a policy should be apparent to everyone.

No business executive would entrust the keeping in condition of his costly automobile to an inexperienced or amateur mechanic in order to save a few dollars; and yet some executives will entrust a vastly more costly and valuable business machine to just such a mechanic in finance in order to save a small salary expendi-

ture. No owner of a costly automobile will insist upon the use of cheap or inadequate tools or repair parts for his car when quality tools and parts are necessary to give assurance that the car will run when needed. Some executives, however, expect the credit department to use cheap tools or an inadequate number of them and then wonder why the business losses mount to large figures.

The welfare not only of the really competent credit executive but of business as a whole is materially hampered by those who fail to use the best mechanics available for the conduct of their work. The best type of mechanical assistance is not that which purports to work automatically. It is that which gives to the credit executive the most perfect aid in formulation of his individual judgment. That judgment and control must be the deciding and final consideration if credit is to serve as a positive and constructive business force.

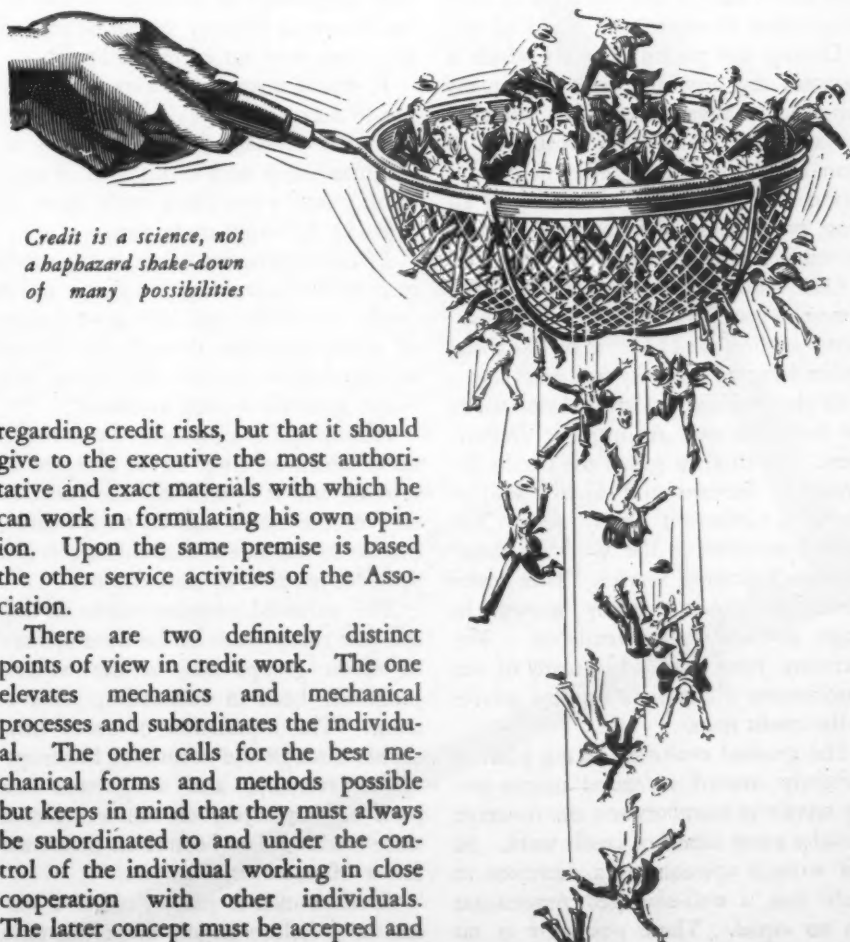
The National Association of Credit Men in its provision for service facilities is based upon that concept. The value of Credit Interchange for example is not that it should serve as a substitute for judgment as a mechanical "decider"

advanced if credit is to be in any sense scientific, if the work is to be in the slightest degree professional rather than mechanical and if business is to receive the expert service which is so essential to its advancement.

There is an old illustration which exemplifies the place of the expert. This illustration has to do with a dynamo which ceased to function, thus shutting off the power necessary to the running of the factory machinery. After a number of attempts had been made by incompetents to repair the damage, a qualified engineer was called in. After a brief examination of the dynamo he tapped it here and there with a little hammer. Immediately the dynamo started to perform perfectly. A few days later the company received a bill for "services rendered in repairing dynamo, \$100." The bill was returned to the engineer with a brief note stating that the charge seemed exorbitant for a few minutes of easy work and asking for an itemized statement. A little later the itemized statement was received—

For hitting dynamo with hammer...	\$ .25
For knowing where to hit.....	99.75
Total.....	\$100.00

(Continued on page 45)



regarding credit risks, but that it should give to the executive the most authoritative and exact materials with which he can work in formulating his own opinion. Upon the same premise is based the other service activities of the Association.

There are two definitely distinct points of view in credit work. The one elevates mechanics and mechanical processes and subordinates the individual. The other calls for the best mechanical forms and methods possible but keeps in mind that they must always be subordinated to and under the control of the individual working in close cooperation with other individuals. The latter concept must be accepted and

# Making the association "click"

■ "Our associations of today are real, honest-to-goodness business establishments as contrasted to more or less social bodies twenty-five years ago."

Here is an article based on the experiences of thirty years in credit work by  
**FORREST S. WALDEN, Vice President, N.A.C.M., Salt Lake City, Utah**

**EN** Almost everyone has a hobby, even though it may be nothing more than drying angle worms in the back yard. My hobby has been Credit Association work and right in that spot is where my heart and mind are today. Credit work has been my daily work for thirty years—thirty years with one firm, in one locality. In this connection I might state that I started at the age of fifteen years, so I am not using a cane as yet, neither have I drooping jowls. Really, I feel I am just getting nicely started and there are at least thirty years of experience ahead of me.

During this period of years which it becomes my privilege to review, many beneficial changes have taken place in the scope of Association work and in most localities a highly efficient organization has been rounded out, with almost every phase of valuable credit department service developed.

Our Associations of today are real, honest-to-goodness business establishments as contrasted to more or less social bodies twenty or twenty-five years ago.

In the making of Credit Associations we had first our Adjustment Department. To that we added the Credit Interchange Bureaus and finally we included a Collection Department. The latest innovation in the West is termed the Ace Reporting Service. This newer service is showing steady growth in usage and in service rendered. We, therefore, have included in many of our Associations a complete unit of service to the credit man.

The gradual evolution taking place is definitely toward increased money-saving service to members and the coverage includes every aspect of credit work. In this writer's opinion, as a deterrent to credit loss, a well-managed Association has no equal. There positively is no

competition.

No doubt the restraining element to continued progress in Association development is the lack of cooperation between credit executives and their local Associations and right in this thought is where well-sold credit executive on Association affiliation should take it upon himself to secure additional members.

At Salt Lake City the Inter-Mountain Association has 98% of available members and this writer wonders why such a high percentage of coverage in this Inter-Mountain territory should be unusual or in any way out of the ordinary.

It would seem to me almost impossible to successfully operate a credit department without having a wide acquaintanceship with credit men in one's locality and particularly with those of firms in the same trade group.

I sometimes wonder if some credit men fully realize what is going on in credit education and the development of credit technique through the avenue of Association activity—and beyond this—the splendid service available.

Knowledge is most assuredly the basis upon which credit is either accepted or rejected and it is certainly the bounden duty of the credit man to obtain information to the extent that nothing is left to hope, promise, or conjecture.

The splendid progress made during the past many years in the development of credit groups has, in the writer's judgment, been an outstanding achievement. The liquidation of retail merchants through the avenue of bankruptcy, receivership, and assignment has been very decidedly on the wane, ever since credit groups became an important factor in Association service.

A credit man is judged either a success or a failure largely upon the ratio

of loss to volume of credit sales and if he does not seek full knowledge of the risk upon his firm's books by working through credit groups and giving full cooperation to his local Association, he is nothing less than a poor excuse for a credit executive.

Taking the case a bit further, where a mistake in judgment has been made, the highest possible recovery in collecting the account should be his aim, and a well-managed Collection or Adjustment Department is the answer to the highest degree of recovery.

The very day this article was written, this writer received a letter from a member of an Association at a far distant point and I wish to quote one paragraph, which reads as follows:

"I am very much interested in your "Credit News," as the third page makes it look as if you are doing something which I have been trying to get our local association to do. I have been telling them that, in my opinion, one of their chief functions should be the following of receiverships, bankruptcies, et cetera. Frequently a friendly court will put in a receiver who will see that none of the creditors get any money."

This letter was written in a city where a large Association exists, but where Adjustment business evidently has not been properly developed. Unquestionably this is an example of the lack of cooperation between credit men, but there may be other factors which I will try to explain later on.

It has been the writer's privilege to watch the progress of many of our Associations throughout the country and particularly in the West. National unity in classes of service and methods of operation have gradually brought about a feeling of confidence and security in

every Association bearing the insignia of National affiliation. Unquestionably, however, further progress in that direction is essential if we are to reach that goal for which we so ardently strive, and that is perfect accord and a unified system of procedure throughout every important distributing center in our entire United States.

There is, no doubt, a certain disparity among the many affiliated Associations in the efficiency of the work being accomplished and this, I believe, comes about in many cases because of the difference in managerial ability among the Association Secretary-Managers.

What I have to say about that in the following paragraphs is submitted solely

as personal opinion and is, in no manner, an expression from the National Board of Directors, of which this writer happens to be a member.

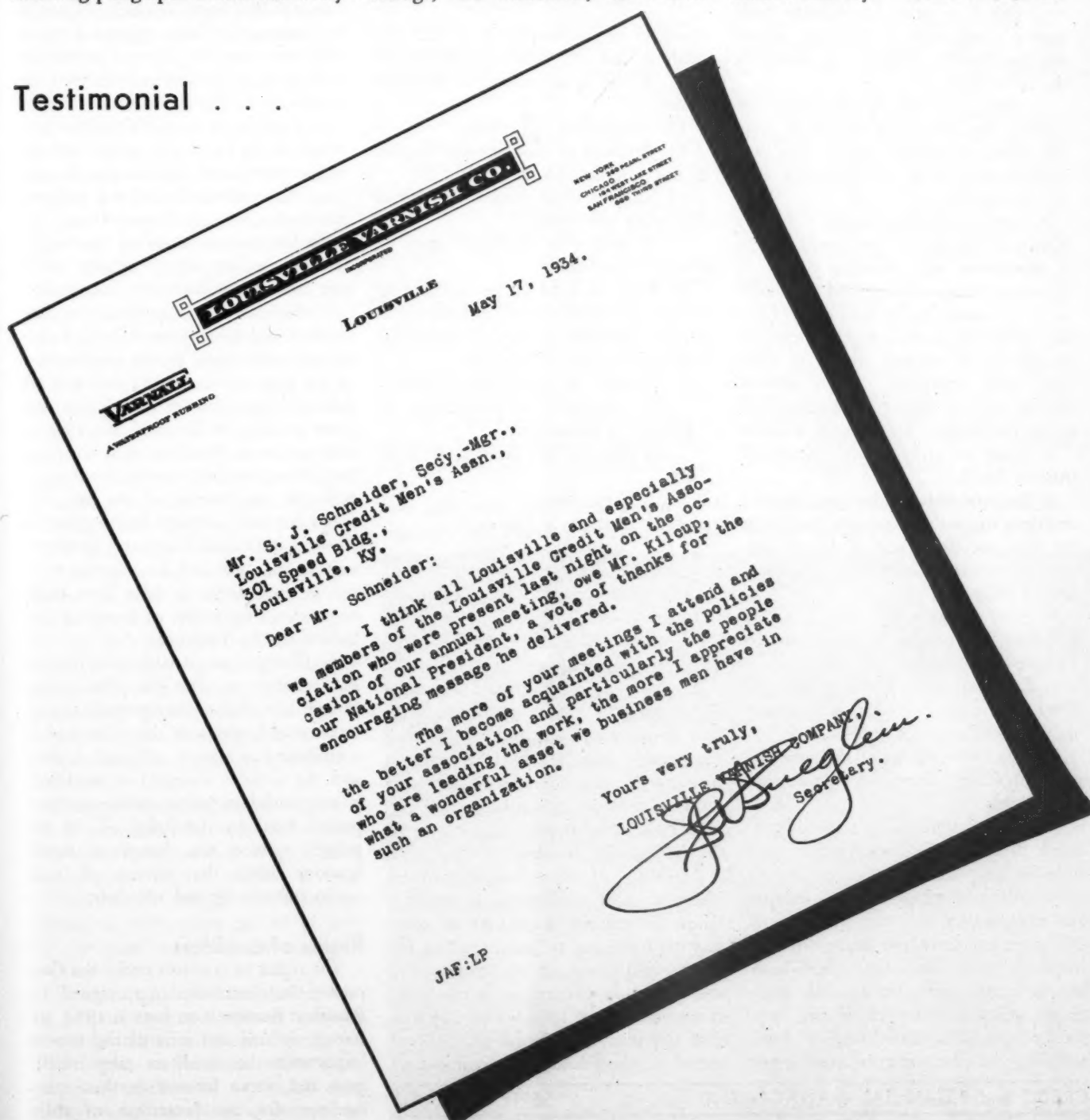
In the operation of an Association—credit or otherwise for that matter—everybody's business is nobody's business and consequently the management if it is very definitely vested in the Secretary-Manager, and I am very opinionated in the thought that an Association can be no bigger than its Manager.

To have and to maintain a successful Association, a man of unusual ability should, therefore, of necessity be at its helm. He should possess the right kind of personality, business acumen, courage, and enthusiasm, and should

have a background of education and experience. He should be paid a salary fully commensurate to the responsibility which the office reposes upon him.

Many years ago this writer was burdened with the duty of changing the entire personnel of a certain Association and it was also necessary to re-systematize the business end of the institution and to exert every effort toward increasing its membership. Needless to state, it was an experience never to be forgotten. He cannot help but feel, therefore, that he knows wherof he speaks when he expresses the opinion that an Association Secretarial post is perhaps more difficult to successfully conduct than any (Cont. on page 42)

## Testimonial . . .



# Rights of creditors in corporate reorganization

## Procedure

**Q** The successive steps in a reorganization proceeding under Sec. 77-b of the Bankruptcy Act are as follows:

1. (a) Filing of petition by the corporation, or three or more creditors.

(b) If a prior involuntary bankruptcy proceeding is pending against the corporation, filing of an answer by the corporation.

2. Entry of order by the judge, approving the petition or answer as properly filed, if satisfied that it has been filed in good faith, or dismissing it if not so satisfied.

3. Entry of order appointing temporary trustee or trustees, or continuing debtor in possession, and directing debtor or trustees to notify creditors and stockholders of a hearing to be held thirty (30) days thereafter, to make appointment permanent or to appoint trustee if none have been appointed, or to remove trustees and put debtor in possession, or appoint substitute or additional trustees.

4. Entry of order fixing amount of trustees' bond.

5. Entry of order authorizing trustees or debtor to continue business and fixing the time therefore, and if debtor continues in possession, fixing compensation of officers.

6. Entry of order requiring filing of schedules, and proposed classification of creditors and stockholders.

7. Entry of order limiting time for filing claims and division of creditors and stockholders into classes.

8. Notice to creditors of limitation of time for filing claims and classification of creditors.

9. Entry of order fixing time for proposal of plan of reorganization and time for acceptance of same.

10. Filing of acceptances of creditors and stockholders, together with a verified statement describing executory contracts, and what leases, if any, have been rejected and surrendered, and what claims and shares of stock, if any, have been purchased or transferred by those accepting the plan after the commence-

## How to protect your firm's interests is explained by

**W. Randolph  
Montgomery**

**Counsel, N. A. C. M.**

ment, or in contemplation of the proceeding, and the circumstances thereof.

11. Filing of objections to confirmation.

12. Hearing on objections.

13. Proposal of modifications in plan by any party in interest.

14. Entry of order confirming plan or dismissing proceeding.

15. If debtor is insolvent, entry of order of liquidation.

16. Entry of final decree discharging trustees and making such provisions as may be equitable by way of injunction or otherwise, and closing case.

17. If order of liquidation entered—

(a) reference of proceeding to Referee in Bankruptcy;

(b) notice of first meeting of creditors;

(c) filing claims;

(d) election of trustee;

(e) liquidation of estate;

(f) declaration of dividends;

(g) closing estate and discharging trustees.

## Rights of creditors

1. *Upon filing of petition or answer by corporation:* Upon proper application to the court, the order approving the petition may be stayed by creditors pending hearing on question of good faith of petition, or creditors may answer petition or answer and controvert the facts alleged therein.

2. *Filing of petition by creditors:* Three or more creditors with provable claims amounting to \$1,000 or over, may file a petition or answer asking for the reorganization of the corporation, stating that the corporation is insolvent, or unable to meet its debts as they mature, and that the corporation has committed an act of bankruptcy within four

(4) months. The allegation of the commission of an act of bankruptcy is not necessary if a prior proceeding in bankruptcy or equity receivership is pending.

3. *Creditors' Committees and Agents:* Creditors may act in person, by an attorney-at-law, by an authorized agent, or by committee. Such representatives of creditors may be allowed reasonable compensation for services rendered and reimbursement for expenses incurred.

4. *Right to be heard:* Creditors have a right to be heard (a) on the question of the permanent appointment of trustees, (b) confirmation of the reorganization plan, and (c) upon filing a petition for leave to intervene in the proceeding, on any other question which may arise as the judge shall determine.

5. *Objections to Confirmation:* Any creditor, individually, or through a committee, may object to the confirmation of the plan on the ground that it is not fair and equitable, or that it discriminates unfairly in favor of any class of creditors or stockholders, or is not feasible; that it does not comply in substance with the requirements of the Act; that it has not been accepted by the requisite amount of stockholders and creditors, or that the offer and its acceptance are not in good faith, or have been made or procured by means or promises forbidden by the Bankruptcy Act.

6. *Changes or Modifications in the Plan:* Before or after the plan is confirmed, any creditor may propose changes or modifications in the plan, and if a creditor has already accepted a plan, and the same is changed or modified, he may withdraw his acceptance within a period fixed by the judge, if, in the judge's opinion, the changes or modifications affect the interest of such creditor materially and adversely.

## Rights of creditors

The rights of creditors under the Corporate Reorganization Act, signed by President Roosevelt on June 7, 1934, are loosely defined and it is of the utmost importance that creditors take intelligent and active interest in these proceedings for the protection of their

interests.

The corporate reorganization proceeding is commenced either by the filing of an original voluntary petition by the corporation; or, by the filing by the corporation of an answer in a pending bankruptcy proceeding asking for leave to reorganize; or, by the filing of an involuntary petition by three or more creditors having claims of \$1,000 or more, alleging either that the corporation is insolvent and has committed an act of bankruptcy, or that a prior bankruptcy or equity receivership proceeding is pending against the corporation, and that the creditors desire that it reorganize.

Upon the filing of such a petition or answer, the same must be approved by the judge as properly filed under Section 77-b of the Bankruptcy Act, and the judge must find that the petition or answer was filed "*in good faith*."

Before a plan of reorganization may be confirmed by the court, the judge must find that it is "*fair and equitable*" and does not discriminate unfairly against any of the creditors or stockholders affected by the plan.

The "*good faith*" of the original petition or answer must be determined by the judge in the first instance, from the facts set forth on the face of the petition or answer. There is no opportunity afforded by the statute for either creditors or stockholders to be heard on this question, and in most instances the papers will be approved by the judge, and an ex parte order entered containing a finding that the proceeding is "*in good faith*." Inasmuch as the entry of an order approving a petition or answer has the effect of staying bankruptcy proceedings then pending against the company, or preventing the filing of a voluntary petition against it, creditors should be alert to prevent the use of the new Act merely to delay inevitable bankruptcy and liquidation, or to stay further action in a pending bankruptcy proceeding.

Where an order approving the petition or answer as filed in good faith has been entered, the question of good faith may be raised by any creditor or class of creditors by motion for an order striking out the answer on the ground that the same was filed for improper purposes.

The classification of creditors for voting purposes presents another instance in which individual creditors may be called upon to actively assert their rights. Acceptance of a plan of reorganization by two-thirds in *amount* of creditors of any given class is binding

upon all other creditors of that class. The interests of merchandise creditors may be quite different from the interests of money-loaned creditors, and the interests of secured creditors are quite distinct from those of unsecured creditors. When the proposed classification of creditors is filed by the corporation, each creditor should examine into the situation, and if he has been wrongly classified, should make appropriate representations to the court to correct the error.

Before a plan of reorganization may be confirmed by the judge, he must find that it is "*fair and equitable* and does not discriminate unfairly in favor of any class of creditors or stockholders," and that the plan, as proposed, is "*feasible*." In a complex situation involving the reconstruction of an involved corporate structure, no one who is not thoroughly conversant with the facts and figures can form an intelligent opinion on any of these points. Certainly it is not to be expected that a judge will be in a position to make an intelligent decision unless he has the complete picture before him. This will require an analysis of the situation by the parties affected by the plan, independently of the analysis made by the corporation itself. The information requisite to this end will only be obtainable by an examination of the corporation's books of account and operating statements, together with a complete knowledge of its business. For any single creditor to obtain such infor-

mation by independent investigation would obviously entail a prohibitive expense. It therefore follows that at an early stage in the reorganization proceeding the creditors of the various classes should work together through the formation of a responsible committee, and pool their interests and their expenses. Such expenses are recoverable from the corporation as a cost of the reorganization proceeding.

While the Corporate Reorganization Act is generally regarded as providing long needed machinery for the relief of corporations from an excessive burden of debts, and if properly and intelligently administered, should prove a highly desirable instrumentally toward this end, its proper administration depends entirely upon the ability of the courts to make intelligent rulings on the complicated questions involved.

Failure of creditors to cooperate with each other and with the court for the protection of their rights, will almost inevitably result in many cases in misuse of the provisions of the law for ulterior ends, and will create widespread dissatisfaction with the Bankruptcy Act in general.

Such agencies as the adjustment bureaus of other credit and trade associations throughout the country should be utilized by creditors to the fullest extent for the organization of committees and the supplying of trained personnel to guide them in the solution of the business problems involved.

**Be sure you get your share of the bankrupt corporation's assets before the asset-grabbers get their hands on more than their share.**



# Seven rules for

**C**ollection letters are old stories to most of us, but what about 1934? Is the history being made in this country of vital interest and distinct effect to our Credit Department, or do we continue to meet the same old problems without exception?

Dr. Lawrence Campbell Lockley, Professor of Merchandising, Temple University, has said, "The poor ye have always with you, and the delinquent debtor, as well." Delinquency in the matter of meeting obligations has been ever present, and appears to be inevitable. In 1933 was no exception, nor will 1934 or 1935 differ, due to the fact that a certain percentage of firms and individuals, for various reasons, delay or attempt evasion of just debts.

Various estimates of 1933 placed the average percentage of actual credit losses at what seems like a ridiculously low figure when compared with gross sales, namely between 1% and 2%, and this means, naturally, that eventually we have received payment for 98% to 99% of our accounts receivable.

However, what you and I are much more interested in as a comparison of our credit losses with our net profits, and it is of the utmost importance that we consider at the same time the loss of working capital as well as the expense we involve in interest payments on loans to replace our capital tied up on past due accounts. The answer always has been and will continue to be found in the necessity of collecting more and more rapidly.

Most of us can remember the time, not so many years past, when the collections were made by the bookkeeper in small companies and by the head bookkeeper in larger organizations. It was generally his custom, after the trial balance had been taken off, each month, to thumb through the ledger sheets very carefully, then the customary letter was written drawing attention to the fact that the item was due and unpaid. Mention was usually made that an early remittance was awaited. A letter of this general type follows:

Dear Sir:

Referring to your account of \$75.58, it matured August 11th and is now considerably past due. We feel

by CLARE R. METCALF,  
Oster Manufacturing Co.,  
Cleveland, Ohio

that your remittance should be forthcoming.

Hoping you will send it in promptly, we are

Very truly yours,

In speaking of this type of letter, I used the past tense, although it is very true that we still see collection and sales, as well as all manner of business letters, styled in this trite, hackneyed fashion. It is encouraging that they are constantly decreasing in number, however.

Just compare that monthly effort with the collection correspondence largely in vogue today. Countless books have been written on the subject of "Business Correspondence." You have undoubtedly read many of them. They are written for the most part by college professors or by successful business men. The works of the former seem frequently too academic, too theoretical and difficult to apply to one's own problems. They are designed for classroom purposes to somewhat of a disadvantage of their practical value. On the other hand, a successful business man is in possession of a veritable mine of useful information, but somehow or other, most of those who attempt it, lack the ability to put their experience into words for the aid of their fellow-laborers. Exceptions to both are found but they are not general rules.

What are some of the newer problems peculiar to present-day business conditions? The NRA codes, monetary standards, exchange fluctuations, banking conditions, labor troubles; what effect do they all have in the credit department and in what way, if any, do they control our correspondence?

Obviously the problem of impounded bank funds is not new. This condition arose over a year ago, and yet we are all doing business with concerns and individuals, who are still deeply involved in this situation. When the blow first fell, every one was leaning backward in his desire to co-operate with

his debtors. Are we continuing to sympathize in those cases, or are we too hard-boiled in seeking our "pound of flesh?" The happy medium of impartial firmness with a retention of good-will is much to be desired.

The various codes of fair competition are having their effect in the improvement of business ethics and morals. Such things as wholesale price-cutting, unfair cash discount advantage, sale of terms rather than commodities, and other business evils, so familiar to us, are being greatly reduced. It is interesting to note that some credit men continue their just insistence on established sales, delivery and cash discount terms. Others are wont to hide behind the skirts of the NRA, using their code as excuse for refusal to allow further advantage to be taken of the fair rules of commerce.

While these and other new problems are daily confronting us, we continue to face the eternal job of seeking the elusive dollar and helping our firms to accomplish the greatest possible sales volume with the least possible credit loss, and this is a man's job in any organization.

Yes, there exists a direct relation of the collection letter to the sales letter and to the sales department in every business, but before discussing this connection, let us touch upon the most common reasons why our invoices are not paid prompt at maturity. It seems just as logical to analyze these causes, as it is for the sales department to tell by research and study why prospects buy and why they do not buy, and to arrive at strong sales arguments and the analysis of all possible sales resistance.

Briefly, just what are some of the most common reasons that prevent our customers from meeting their obligations? They are as follows:

1. Misunderstood terms.
2. Dissatisfaction of product or service.
3. Lack of funds.
4. Neglect or oversight.
5. Reluctance to pay until under compulsion.
6. An insolvent condition headed toward bankruptcy.
7. Absolute crookedness.

While exceptions exist, you will agree

# collection letters

1. Use sales methods in the collection of your accounts.
2. Be prompt in starting and persistent in continuing your collection letters.
3. Don't ask for the sympathy of your creditor, nor be ashamed to ask money justly due.
4. Avoid the spectacular letter. The law of averages is against its success.
5. Never threaten without full intention of carrying it out.
6. Co-operate with customers. It costs money to develop new ones. The majority of your business emanates from customers who have already purchased from you.
7. A sale is not actually consummated until the collection is complete. The successful credit man is not the one bearing the least percentage of credit losses, because it is the easiest thing in the world to turn down an order. Success depends on his ability to approve the largest amount of business possible and keep his credit losses at an absolute minimum.

that most of your troubles are instigated by the above causes.

It is always desirable, not to say necessary, to classify an account as soon as it has passed maturity on your books. It is certainly the height of folly to write a whole series of nagging letters to the man whose finances are fast reaching a condition of dissipation. Furthermore, you cannot expect a customer, disgruntled with your goods or services, to take kindly to, or to respond to collection letters. As another example, the customer who is attempting to dodge payment will certainly not respond to a letter patterned to reach a man who has overlooked his account. Likewise, the strong type of letter to the absent-minded customer is quite likely to lose an account.

So the early classification of your delinquent account will oftentimes prevent the most serious danger, confronting you, namely offending the customer whose account is extremely valuable. That is just another reason why the successful credit manager is one with a thorough grasp of all phases of his company's business. The knowledge aids him to avoid an unduly sharp or tactless letter which might drive away a profitable customer.

There exists in such situations another phase of the connection between the collection and the sales departments. Frequently, a very good customer becomes ashamed to face his supplier due to the condition of his account. Certainly the company that is carrying him is entitled to his cash business, and yet

this is often not the case. It is always well to remember in dictating your collection letter that no matter how much you have on your books against him, your customer's cash business is worth just as much to you as to your competitor. So, while it is extremely gratifying to collect past due accounts with a retention of his business, one should not overlook the profits of cash sales if both are not possible.

And now for the collection letter itself. As it is true in connection with all business communications, the most important part is the opening paragraph. In fact, it is of more importance in the collection letter which can never be welcome on the face of it. The correspondent's job is to compel the reader's eye to follow down the paragraphs, and the greatest single factor of success in an interest-compelling start is naturalness. Frequently, collection letters attempt to capture the attention of the recipient by the use of headlines of some sort. Of course, this is after the use of the first few letters which are easily read if couched in a readable, conversational manner. But it is after the failure of several such letters on the same letterhead that his interest wanes, and it is here that something on the order of the spectacular sometimes draws a remittance.

After a man has gotten over the hurdle of the opening paragraph of his letter, it is often spoiled by his apologetic air in writing for money. Ob-

viously, there should be no shame whatever on the part of the creditor, but rather on the part of the man who owes the money. Briefly, if certain conditions exist and it lies within the power of the customer to remedy it, a straight-forward request will go a lot further toward winning the respect of the slow payer, which respect is oftentimes killed by an effort on the part of the dictator to avoid the actual substance of his letter.

In selling a bill of goods by mail, it is always done by stressing the concrete advantages and creating an actual desire for the goods. I maintain that a collection letter should follow the same lines. It should be positive and direct and show the advantages that are to be derived by the customer in paying the bill. This is truly the essence of salesmanship and of all other types of persuasion.

By all means, an attitude of fairness should be shown by the collection department. This involves a fundamental willingness to co-operate, a willingness on the part of the collector to help the delinquent to pay and by means within his power. It may mean extension—it may mean advice or suggestions on the speeding up of his own collections or improvement of his own financing. As far as that goes, it is not at all an uncommon thing for a credit man to help a customer in correcting his business process, and you can just bet that after proving of invaluable assistance, he not only collects the outstanding account, but wins one customer that will never go to a competitor.

The question often arises as to whether form letters should be used in collection work. This is a problem that cannot be decided for any and all business alike. Your clientele, the amount of the individual items, the amount of items open at one time, your terms of sale, these and many other phases enter very closely into the policies of the type of collection letters best suited to your own personal condition.

Most of us have a certain amount of small accounts and, of course, as these items pass maturity, a considerable amount of time can be used in writing individual collection (Cont. on page 32)

# Can you prove the letter was mailed?



**OF** Every business man is familiar with the fact that questions of great importance may turn upon whether or not a letter was mailed. And, where the addressee denies receiving the letter, the burden will rest with the writer to prove the mailing, in order to introduce the carbon copy of the letter in evidence.

Here is a proposition of business law that should never be overlooked when contract-forming correspondence is being placed in the mails. And the law books contain case after case in which parties were denied recovery, because of their inability to produce proper proof of the mailing of letters, so as to justify the introduction of the carbon copies in evidence which was necessary to prove their cases.

The question then of what constitutes proof of the mailing of a letter becomes one of great importance, and, generally speaking, there must be positive testimony of someone to the actual mailing to meet this test. Here, office custom of mailing usually falls short, and unless proof of this custom is coupled with testimony that the letter concerned went into the mail, it will be rejected. For example:

In a recent case of this kind over an insurance contract which involved the recovery of about \$1,000, the defendant denied the receipt of certain letters that the plaintiff claimed to have sent. Plaintiff then, in order to make out its case, sought to introduce in evidence the carbon copies of these letters, which, if allowed, would enable it to bind the defendant.

The burden then of proving the mailing of the original letters rested upon the plaintiff, and in discharge of this the latter introduced evidence of its usual office custom in the mailing of letters. The trial court admitted this evidence, and plaintiff was awarded a judgment. The defendant appealed, and the higher court in reversing the judgment on the ground that the admission of the carbon copies of the let-

by **LESLIE CHILDS**  
Indianapolis, Ind.

ters, on the strength of the office custom of mailing, constituted error, in part, said:

"So far as the record indicates, the only evidence of mailing was the testimony given by two employees of the insurance company, who testified that they dictated and signed the original of the exhibits admitted in evidence, and left them on their desks, to be collected by some other employee of the company, whose duty it was to take the letters to the mailing department, \* \* \* where they would be sealed, stamped, and mailed. \* \* \*

"We do not think that the mere dictation or writing of a letter, coupled with evidence of an office custom with reference to the mailing of letters, is sufficient to constitute proof of mailing of same, in the absence of some proof or corroborating circumstance sufficient to establish the fact that the custom in the particular instance had in fact been followed. \* \* \* Reversed." (162 Atl. 732)

So much for that case. In another case of this kind, a business firm sought to enforce a contract which it claimed had been closed by its letter of acceptance. The other party denied receiving the letter, and the business firm then offered its carbon copy of the letter in evidence, and to justify this sought to prove the mailing of the original letter by the following testimony of one of its executive officers who had written the letter:

"I dictate my mail, and then I sign it, and then one of the stenographers takes it and mails it, which depends upon the time of the day. The evening mail is taken to the box, and the morning mail and noon mail are taken away by automobile delivery, which takes care of the west-side manufacturers. After this letter was dictated by

me it went through the usual course."

In holding the foregoing testimony of the mailing of the letter insufficient to justify the introduction of the carbon copy in evidence the court, on appeal, reasoned:

"Upon this testimony the court held that the mailing of the letter had been proved, and admitted the copy in evidence. This we think was error. We know of no decided case which holds that the mere dictation or writing of a letter, coupled with evidence of an office custom with reference to the mailing of letters, is sufficient to constitute proof of the mailing of such letter, in the absence of some proof or corroborating circumstance that the letter was, at least, placed where, in the ordinary course of business, it would be taken to the postoffice. \* \* \*

"Manifestly, the proof in this case does not meet this requirement. While we do not attempt to lay down any hard and fast rule with reference to the proof necessary to constitute mailing, where custom and usage of an office is relied upon as a contributing element to such proof, we do hold that proof of the dictation of a letter, coupled only with proof of the office with reference to the mailing of letters, without any proof from which it may be inferred that in the particular instance the custom was complied with, does not constitute proof of mailing." (178 N. W. 881)

In conclusion, the court in this case also reversed a judgment that had been based upon the introduction of the carbon copy of the letter in dispute, on the ground that the proof of the mailing of the original was insufficient to justify the receiving of the carbon copy.

In the light of the foregoing decisions, it is obvious that a business executive may well give some thought to his record of the mailing of important contractual letters. To register them and demand a return card is, of course, one of the most effective means of tying the hands of an addressee, for the receipt of a letter can hardly (Cont. on page 33)

# Business must plan!

The trees may obscure the forest but it is essential that both be seen . . . details as well as policies must be planned and followed-through

by HERMAN C. RAYMOND, C. P. A.



The author has been prompted to write this article by the great amount of lack of planning ahead in business that he has seen.

Recently a case came to his attention where it was a practical certainty that in the near future some decided changes would be necessary. Nothing was done in the way of preparation. When the time arrived to make the changes it was necessary to employ and train a considerable force of extra help. The wild efforts and mad scramble to effect the changes would have done credit to a mad house. Contrast this with another case that the author came across

in which the heads of the business decided to be prepared. They hired a few extra employees to liberate a similar number of old employees. These old employees were formed into a revision bureau. This bureau went ahead making preparations for the changes and in some instances effecting minor ones where occasion deemed it advisable to do so in advance. When the time came to make the majority of changes they were effected with a minimum of effort. There was no confusion. An outsider viewing this organization would never have thought that important changes were taking place.

Some years ago the author happened to be present in the office of a firm at the time it was discovered that the firms bank balances were insufficient to meet certain imperative demands. The firm was in a seasonable business, and these demands came at the height of a busy time when the limit of banking accommodations had been reached. Finally a loan was secured from another source at considerable expense which resulted in the proverbial wailing, and gnashing of teeth. This condition could have been averted by the proper staggering of certain disbursements.

People will plan ahead for fifteen or twenty years as to their children's education but do not plan a month or two ahead as regards their business. The expression "we will cross those bridges when we come to them" is familiar to everyone. This expression is too often used to excuse lack of planning ahead. A bridge presupposes a river or chasm. Now suppose a contingent of army engineers without equipment traveling ahead of the main body of troops comes to the location of where a bridge used to be. Lacking equipment they cannot bridge the gap. The general certainty would be in for a lot of criticism from people using the above expression because he did not look ahead and foresee the possibility of the necessity of building a bridge and therefor properly equip his engineering unit. Yet many of these critics are just as lax in being prepared to bridge a gap should their business arrive at one.

It is surprising to find the great number of small and medium sized businesses that do not work on a budget. Many business men seem to think that

a budget is something that only the government should have. With the exception of the large industrials and some large concerns, budgets in business are conspicuous by their absence. Many commercial houses and small manufacturers seem to think that a budget would be of no value to them. A budget is nothing more but a schedule of a firms future activities. No one would care to risk riding on a train whose schedule was being made by the engineer as the train was rolling along. Still a business without a budget is similar to such a train. Creditors and bankers are asked to take the risk that the business will safely arrive some time at the point of meeting its obligations. Following is an outline of the preparation of a budget and a method of comparing results with it. No attempt is being made to present a detailed treatment of this subject as space would not permit it. Work should be started on the budget early enough so that a complete budget is available at least a month before the beginning of the period to permit the executives to review it and make such modifications as are deemed advisable. To do this it is necessary to project the latest available balance sheet to the end of the present period which necessitates the estimating of the financial operations for the balance of the current period. The procedure for accomplishing this result is the same as that of preparing the budget for the following period. Careful estimates based upon experience and modified by current conditions should be made of the following results of operations.

*Orders received, quantities and values.* These together with the unfilled orders on hand projected according to probable shipping dates will give the estimated gross sales billed.

*Cost of sales billed.* In the case of manufacturing concerns carefully prepared estimates of manufacturing costs are necessary.

*Selling distribution and administrative expense.* Certain of these expenses will fluctuate with the volume of orders received which will necessitate estimates of expenses for a considerable range of volume of these orders to enable the preparation of budgets for various volumes.

(Continued on page 39)

# Budgetary control

“In the changing times that lie directly ahead of us, budgetary control is going to be of very great assistance to those who make intelligent use of its possibilities . . . and to none is a thorough-going knowledge of its operation, its difficulties, and its advantages of greater value than to the credit man.”

**C**A budget has been defined as: “Any estimate of future receipts and expenditures for a government, a corporation, partnership, person, family, community or association.”

Budgets used to be thought of as useful only to governmental units. The operation of the National Budget Act has familiarized us with this sort of budget planning. Most states and the larger municipalities now use the budget plan in some form.

Although most business concerns do not yet make use of formal budgets, all of them do some planning and make use of estimates, albeit such plans and estimates may in many instances be rather hazy and uncoordinated. Even the peanut vendor or the newsboy estimates his probable sales before stocking his wares. Business executives may scorn the idea of budgetary control, but they would not permit their buyers to make purchases and commitments without any regard for expected sales, neither would they allow expenses to exceed what they believe to be the gross profit which may be anticipated. In making purchases of capital items or in arranging for payments on obligations they usually keep in mind something of the possible future cash position in view of expected receipts and disbursements of funds.

Production managers or heads of purchasing departments may endeavor to cut down on certain over-stocked items in inventory by examining sales records on such items and through this and other information hold down production or purchases so as to accomplish the desired result.

The difficulties experienced during the late (but not lamented) depression caused most business men to do more

by I. B. McGLADREY, C. P. A.,  
Cedar Rapids, Ia.

careful planning of future operations and to endeavor to secure better coordination of the various business functions such as selling, producing and/or purchasing, financing, etc. This in effect was an attempt at a crude form of budgetary control. Many executives, who had scorned the idea of formal budgets and were driven by hard necessity during the lean years to make use of them, found somewhat to their surprise that they liked them.

It was found to be actually easier to make the estimates and coordinate them in a systematic way than to do so in fragmentary manner, or for somebody to try to carry them around in his head. But of greater importance was the fact that the executive had means for making plans which included every function of his business and for automatically measuring performance against estimate. He found he could more readily accomplish the results he planned. Budgetary control meant just that.

We have assisted in establishing such control during the recent years of stress for many concerns whose executives have since assured us that without it the chances for survival would have been small. On the other hand the mortality among business concerns which paid little attention to systematic planning of operations and financing has been severe.

It seems obvious that a business which makes intelligent plans for its future operations and financing will be in better position to work out of difficulties than one which has no definite plan.

It may be noted that budgets of business concerns involve some features not present in the governmental budget. Thus the business budget not only considers the requirements of cash receipts and disbursements but also the necessity for planning operations so as to result in a net profit.

In the changing times that lie directly ahead of us budgetary control is going to be of very great assistance to those who make intelligent use of its possibilities. Its importance to all business men is therefore great and to none is a thorough-going knowledge of its operation, its difficulties and its advantages of greater value than to the credit man.

A brief outline of how budgetary control operates may serve more clearly than any definition to show what it is. A possible procedure, given in brief summary form, is as follows:

1. Some officer, usually the president of the corporation, would be charged with responsibility for the preparation of the budget plan, its installation and operation. He will normally be assisted by a budget committee, composed of some of the principal departmental heads such as the sales manager, production manager (in a manufacturing concern) or head of the purchasing department (in the case of a merchandising business), treasurer, etc. He would also appoint a budget executive who would have charge of the details of budget procedure. The plan for preparing the budget and putting it into execution is first carefully worked out by the budget committee.

The length of time to be covered by the budget should receive especially careful attention. In case none of the executives is thoroughly familiar with the preparation, installation and operation of budgetary control it is desirable

to procure the assistance of advisors who have had practical experience with its problems.

2. Each department is caused to prepare an estimate of its activities for the budget period. The sales department will state the sales it expects to make and the estimated expenses it will incur in making such sales, the production department (or purchasing department as the case may be) will estimate the cost of manufacturing (or purchasing) goods for the period; the service departments such as office manager's department, etc., will state the estimated expenditures of their departments.

The interdependence of departments will require some to use the estimates of other departments in making their own estimates. Thus the production or purchasing department must know the estimated sales before making the estimate of production or purchases necessary to take care of the sales demands; the treasurer must know the estimates of all other departments before he can forecast his receipts and disbursements of cash. A procedure must therefore be set up which will provide for the proper time schedule for preparation and distribution of the estimates of the several departments.

3. Departmental estimates are sent in to the executive who has charge of budgetary procedure. He combines the estimates of all departments into a proposed financial budget for the concern. In preparing this estimate he will be assisted by the treasurer, though in some cases the financial budget is prepared by the treasurer alone.

The proposed financial budget should show the estimated receipts from all sources and the estimated expenditures by all departments for the period. The method of preparing the financial budget will later be discussed in greater detail.

4. The responsible executive compares the estimated receipts with the proposed expenditures. In case the latter exceeds the expected receipts, one or more of the following things must be done:

(a) Expenditures may be reduced. In this connection the question as to whether any reduction may result in a reduction of receipts should be considered. Thus, if the appropriation for advertising is to be curtailed, this may result in a reduction of sales which would cut down the receipts from collections. Likewise, if the expenditures for production or purchase of goods are reduced, there may be a lack of merchandise to meet sales demands with a

consequent curtailment of receipts from sales. Judgment therefore must be used in the reduction of expenditures to see that receipts are not reduced to such an extent that the cure is worse than the disease.

(b) Additional receipts from operations may be obtained through securing more efficient administration with a consequent speeding up of operations.

(c) Loans may be obtained.

(d) Additional capital may be secured.

Any excess of expenditures occasioned by retirement of existing obligations or for the purchase of capital assets might properly be provided for, at least in part, by new loans or by se-

tee, together with any recommendations he may wish to make.

In case the projected operating statement as summarized from departmental estimates indicates a loss or an unsatisfactory net profit, he will doubtless recommend changes looking either to a curtailment of expense or to an increase of income; and if the financial budget shows that, on the basis of estimated receipts and disbursements, there may be expected to be junctures at which there will be a shortage of available cash beyond the extent to which the concern's line of bank credit may entitle it to expect such assistance, he or the treasurer may recommend appropriate measures to be taken.



**Budgets must be watched . . . they are curbs against potentially rising, unwatched expenses but vigilance is important**

curing additional capital. Bridging the gap caused by an excess of operating expenditures over operating receipts by any such means cannot, however, continue very long, since it would soon necessitate the liquidation of the business.

5. The budget executive prepares from the estimates submitted to him an estimated balance sheet and an estimated operating statement, showing respectively the anticipated financial condition at the end of the budget period and the expected results of operations for the period.

6. He transmits the departmental estimates, the proposed financial budget, and the estimated balance sheet and operating statement to the budget commit-

7. The budget committee reviews all of the estimates, considers the recommendations of the budget executive and makes any revisions it deems necessary. After the budget has been approved it constitutes a working program for the budget period. Limits of expenditures as set up should not be exceeded by any department without the approval of the budget committee.

8. Each department makes plans to provide for carrying out its part in the program. For example the sales department sets quotas for its salesman, the production or purchasing department makes plans for providing the goods required for making the expected sales; the advertising department makes contracts for advertising space (Cont. on page 34)

# Latin-American credit

by W. S. SWINGLE, director of the Foreign Department and the Foreign Credit Interchange Bureau of the National Association of Credit Men.

The survey of credit conditions and collections in twenty-one Latin American markets for the second quarter of 1934 showed a general improvement both as to credit conditions existing within these countries and also improved collections from buyers in this territory. This survey, the 23rd of a series, is compiled from the opinions of members of the Foreign Credit Interchange Bureau who are selling into these markets covering the situation existing at the end of the second quarter of this year.

The first of the year showed an improvement both in credit and collection indices in the majority of the markets surveyed. This improvement was continued throughout the second quarter of the year, and has been generally noticeable since the first quarter of 1933. Beginning with the first of this year credit conditions in these markets showed a more general improvement than in the preceding year, and this has been carried forward into the second quarter.

Of the twenty-one markets covered in the current survey, fourteen show an improvement in the index of credit conditions. A decline was shown in the credit index for six of the countries covered, and in one case no change in the index was indicated. The forward

movement was not as marked in the second quarter as in the previous period, but still gives encouragement for the basic improvement and return of more normal conditions in these markets. In general, credit conditions are on the upward grade, and in practically all countries this has been sustained. In only three of the countries showing a decline has there been an appreciable falling off in the index figure.

The accompanying graphical chart on credit conditions indicates the credit index figures for each of the twenty-one markets for the quarterly surveys running from July, 1933 to date. By reference to this chart it will be noted that the trend is generally upward and that well over fifty percent of the markets covered indicate that credit conditions are considered Fair or better.

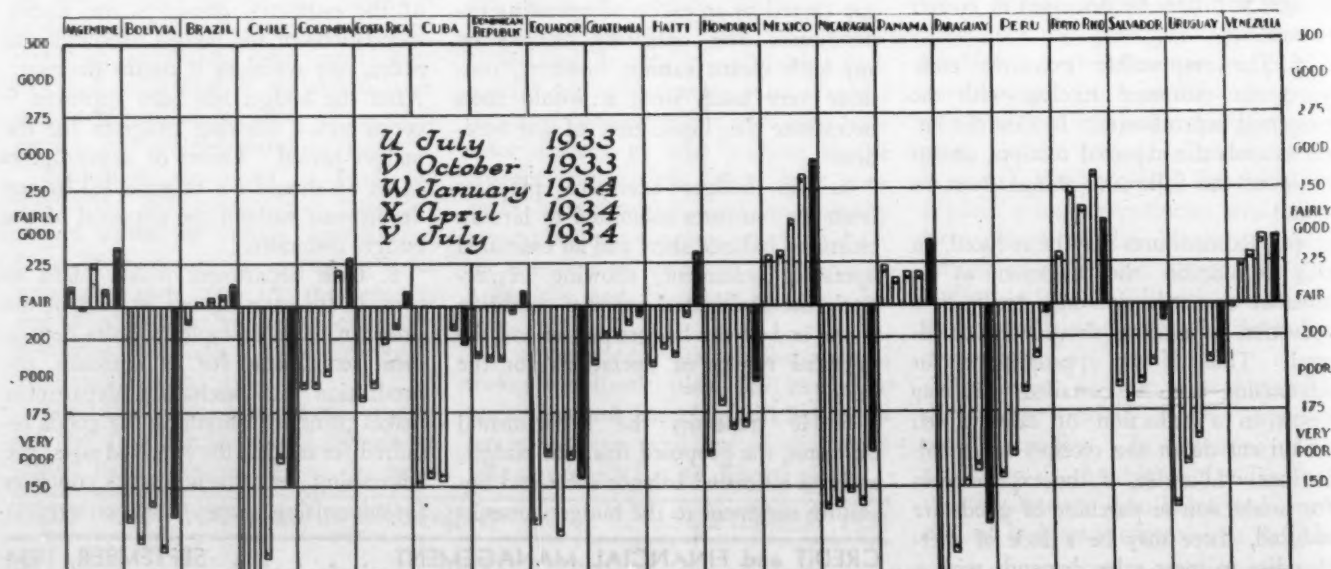
Collections have not improved relatively as much as has been the case with credit conditions, and this continues to emphasize the fact that the difficulties in most of these markets are not one of credit responsibility but rather of exchange and exchange transfer. Subject to proper investigation, the credit responsibility of the risk still exists and will continue to exist in sufficient amount to take care of all of the legiti-

**Credit conditions in twenty-one Latin-American countries scaled on the basis of the credit condition index figures which express mathematically the combined opinions of individual reports on each country.**

mate business which can be done under existing conditions of international trade balances and exchange. While there has been some improvement in the exchange situation, exchange movements are still in most cases under governmental control, and improvement in the transfer of money from many of these markets is due to the fact that transfers in what were formerly considered "boot-leg" or outside markets are now taking place in the open market without a blocking of exchange, although at rates considerably above the official exchange figure.

There is still a scarcity of exchange even in the open market in many countries. Trading agreements made by various countries have tied up portions of the available exchange, and dollar exchange is therefore in a number of cases only available to the amount of what may be created from current imports into the U. S. from these countries. Even in countries where a cash import surplus exists delays in exchange transfer, such as Brazil, still are a hindrance to normal transactions. Business which does not require exchange transfer is generally improving throughout Latin America, and the credit background in the majority of these countries is therefore on the upgrade.

Improving prices for raw materials should create a better export position, and where not interfered with by special exchange arrangements between specific countries should provide for a gradual easing of the exchange situation. Delays may, however, be expected to con-



# and collection survey

tinue in many markets.

In the second quarter of the year, Mexico is the only country still remaining in the classification where the credit conditions are good. This country becomes an outstanding example of the improvement in internal conditions and the progress made in conditions in Mexico has been particularly noteworthy over the past two years. Credit conditions there seem to be substantially sound, and on a much improved basis. Considerable improvement has been shown in the number of countries where credit conditions have been only fair. Argentina has again shown a reversal of the previous downward trend, and during the second quarter credit conditions in Panama, Costa Rica, Peru and Salvador improved noticeably. Declines of a substantial nature were indicated in some countries, namely, Puerto Rico and Paraguay. This latter country has now moved to the lowest credit condition index during the second quarter.

The experience of the members of the Foreign Credit Interchange Bureau in collections from these countries is reflected in the graphical chart on credit conditions. This shows a comparison since July, 1933 as covered by the various quarterly surveys from that time to date. The majority of the countries show an improvement in collections from the previous surveys. The improvement noticeable in the first quarter of the year has been generally maintained and somewhat improved. As has

always been the case in these surveys, collections are still relatively better than the general credit conditions within any country might indicate, excepting the country with the lowest collection index figure.

As previously mentioned, improvement in collections has not kept pace with the improvement in internal credit conditions within these markets. Collections from fourteen of the countries show a gain, and seven show a decline, but the falling off in the latter class is limited to a comparatively small percentage.

Mexico has jumped forward to the highest percentage on collections, and the returns from shipments to that country are as high as any country has attained in these surveys, even under the best conditions. Substantial improvement is made in the collection index for Peru, as well as Panama, Cuba, Honduras, Argentina, and Nicaragua. Declines in the credit index are indicated for Puerto Rico, Haiti and the Dominican Republic, the latter showing the largest decline.

Two-thirds of the countries indicate payments are Prompt or Fairly Prompt

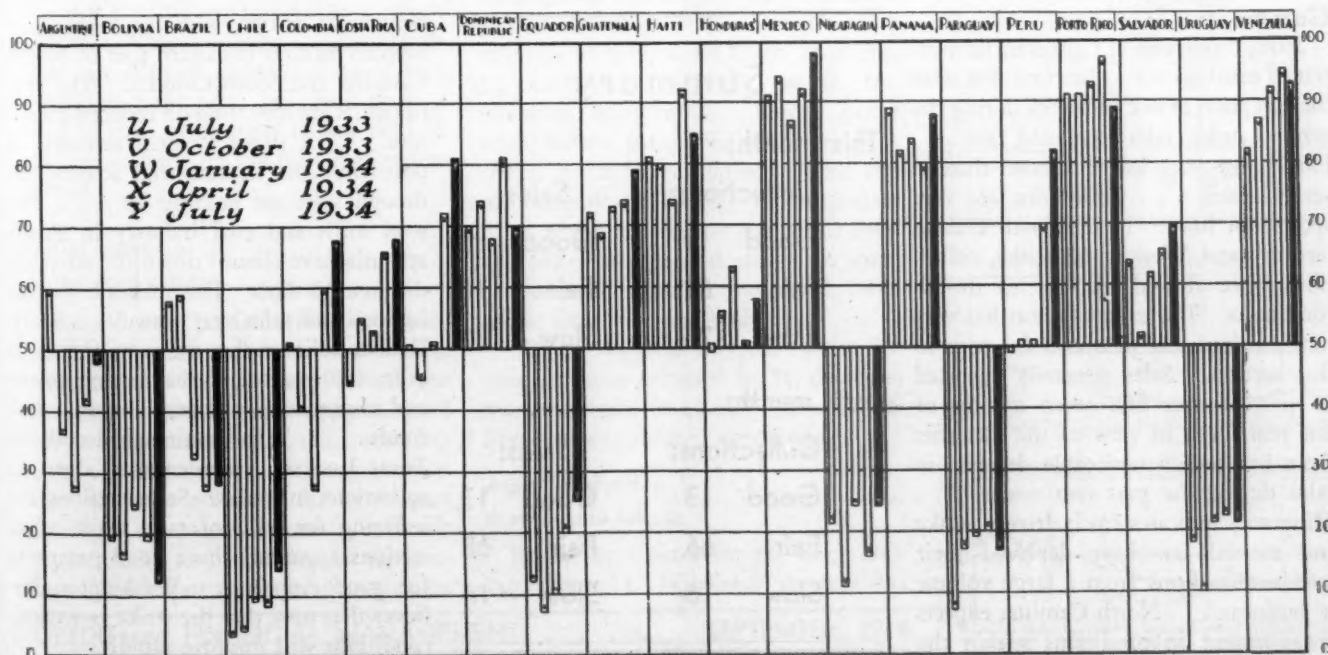
**Collection conditions in twenty-one Latin-American countries at five different periods. The scale numbers are based on the percentage of reports of prompt collections for each country in each survey.**

and there has been no decided changes in the relative position of the countries on the collection index.

A background of better trade is being built up in Latin America, and it will be interesting to follow the developments of trade agreements and arrangements for better business relations with these markets in Latin America.

These surveys cover only commercial transactions, and are in no way a reflection of Governmental credit or bond or security payments, but refer to the situation in connection with the regular flow of our commercial relations.

An increasing interest is being shown in foreign trade and international arrangements by our Government. Additional facilities have been provided for finance through the extension of the operations of the Second Export-Import Bank. We must appreciate that in order to bring about a real improvement in foreign trade, increasing attention must be given to the imports from these markets, in order to create a purchasing power in foreign exchange. It is hoped that quota regulations and arbitrary restrictions which hinder the flow of trade will be eliminated as promptly as possible, and when the purchasing power increases and exchange transfers are made available, the basic credit responsibility will be sufficient to take care of transactions with a sound background of commercial credit and a satisfactory promptness in payment.



# Score sheet of collection and sales conditions

State	City	Collections	Sales	State	City	Collections	Sales
Ala.	Birmingham	Fair	Fair	N. Y.	Albany	Fair	Fair
Ariz.	Phoenix	Fair	Fair		Binghamton	Fair	Fair
Calif.	Los Angeles	Fair	Fair		Buffalo	Good	Good
	Oakland	Slow	Fair		Jamestown	Fair	Fair
	San Diego	Good	Good		New York	Fair	Fair
	San Francisco	Fair	Fair		Norwich	Fair	Good
Colo.	Denver	Fair	Fair		Rochester	Fair	Fair
	Pueblo	Fair	Fair		Syracuse	Good	Fair
Conn.	Bridgeport	Fair	Fair	N. C.	Charlotte	Slow	Slow
	Hartford	Fair	Fair	N. D.	Grand Forks	Fair	Fair
D. C.	Washington	Slow	Fair	Ohio	Cincinnati	Fair	Fair
Fla.	Jacksonville	Fair	Fair		Columbus	Fair	Fair
	Tampa	Fair	Good		Dayton	Good	Good
Ga.	Atlanta	Fair	Fair		Toledo	Slow	Slow
Hawaii	Honolulu	Fair	Fair		Youngstown	Fair	Fair
Ill.	Chicago	Fair	Fair	Okla.	Oklahoma City	Fair	Slow
Ind.	Evansville	Fair	Slow		Tulsa	Slow	Slow
	Indianapolis	Fair	Slow	Pa.	Allentown	Slow	Slow
	Fort Wayne	Fair	Fair		Altoona	Fair	Fair
	South Bend	Fair	Fair		Harrisburg	Slow	Fair
	Terre Haute	Fair	Fair		Johnstown	Slow	Slow
Iowa	Burlington	Fair	Slow		Uniontown	Slow	Fair
	Cedar Rapids	Slow	Fair	R. I.	Providence	Slow	Fair
	Davenport	Slow	Fair	S. D.	Sioux Falls	Slow	Slow
	Des Moines	Slow	Fair	Tenn.	Bristol	Fair	Fair
	Ottumwa	Fair	Fair		Chattanooga	Fair	Fair
	Sioux City	Fair	Fair		Knoxville	Fair	Fair
	Waterloo	Good	Good		Memphis	Fair	Fair
Kan.	Wichita	Good	Fair	Tex.	Austin	Fair	Fair
Ky.	Louisville	Fair	Fair		Dallas	Fair	Fair
La.	New Orleans	Fair	Fair		El Paso	Fair	Fair
	Shreveport	Fair	Fair		Ft. Worth	Slow	Slow
Md.	Baltimore	Fair	Fair		Houston	Good	Fair
Mass.	Boston	Fair	Fair		Waco	Fair	Fair
	Springfield	Slow	Slow	Utah	Salt Lake City	Fair	Fair
Mich.	Detroit	Good	Slow	Va.	Richmond	Good	Good
	Flint	Slow	Fair	W. Va.	Bluefield	Fair	Fair
	Jackson	Fair	Fair		Charleston	Fair	Fair
	Kalamazoo	Fair	Slow		Clarksburg	Fair	Fair
	Grand Rapids	Slow	Slow		Huntington	Fair	Fair
Minn.	Duluth	Good	Fair		Parkersburg	Fair	Fair
	Minneapolis	Fair	Fair		Wheeling	Fair	Fair
	St. Paul	Slow	Fair	Wash.	Bellingham	Slow	Slow
Mo.	Kansas City	Slow	Slow		Seattle	Slow	Slow
	St. Joseph	Good	Good		Spokane	Slow	Fair
	St. Louis	Fair	Slow		Tacoma	Slow	Fair
Mont.	Great Falls	Fair	Fair	Wis.	Fond du Lac	Fair	Fair
	Helena	Slow	Fair		Green Bay	Fair	Fair
Neb.	Omaha	Slow	Slow		Milwaukee	Fair	Fair
N. J.	Newark	Fair	Fair		Oshkosh	Fair	Fair

## Comments:

Strike conditions in California have retarded earnings and collections, but with the exception of one bad week during the general strike, sales continued fair. . . . Florida reports a better summer than in several years. . . . Collections are very spotted in Iowa. In the South Dakota territory and Western Nebraska, collections have slowed up due to drouth conditions. The excessive heat has very nearly ruined any prospects for corn in that section. Sales generally reported 25 percent over first seven months of last year, even in view of the fact that there has been a noticeable decrease in sales during the past two weeks. . . . Minnesota indicates truck drivers' strike and martial law have deprived their merchandise firms from a large volume of business. . . . North Carolina expects improvement in conditions within the

## Summary

### This month:

Collections:	Sales:
Good 11	Good 8
Fair 62	Fair 70
Slow 25	Slow 20

### Last month:

Collections:	Sales:
Good 13	Good 13
Fair 66	Fair 68
Slow 16	Slow 14

next week or two, with the opening of tobacco markets in eastern part of North Carolina and South Carolina. The textile mills are operating on reduced schedules. . . . A slight seasonal recession is noted in Ohio in industrial activity, although sales are holding up. . . . The steel mills and coal industry in Pennsylvania have slowed down considerably the past 30 days. This makes both collections and sales very slow. . . . South Dakota believes that the crop failure is at least 80 percent, so that buying power and ability to pay depends upon relief funds. . . . The continued drouth in Texas has had a tendency to slow up collections and sales. Some sections are suffering for want of rain, while other sections apparently have good prospects for good crops. . . . Washington believes that now that the strike is settled, conditions will improve rapidly.

# The business thermometer:

## Buying orders in several lines.

Activity of orders always is looked upon as an important measure of trade, if only as a forecast for the immediate future.

In the steel trade it has been noted by the leading observers that consumption during several of the last few weeks has been at a higher rate than the output for these particular weeks. Orders from warehouses or jobbers also indicate a return of confidence in future business as these orders have been averaging for higher tonnage. In the steel trade this increase in tonnage by the jobbers is looked upon as heartening as the jobbers are in close touch with the smaller consuming trade, so this increase in buying portends a revival of business from the bottom up.

Still another indication of a buying revival is found in the purchases during the second week in August in the cotton gray goods field. Raw cotton prices are about 4 cents per pound higher than a year ago but the range on gray goods is about the same as last year and buyers apparently look upon this situation as one which represents a bargain which will not last long. So during late July and early August, the orders booked during a week and a half period equaled the production schedules (upon the NRA restricted basis) for a whole month. This situation unfortunately does not indicate a speeding up of mill schedules right now, but does show a healthy state of business in this field of the cotton trade on the matter of orders placed.

## Initial loans on home renovations.

An influence on fall and early winter trade is expected to show from the home renovation financing plans which the bankers in general have endorsed and are putting into operation in most sections of the country. In some sections they are even going so far as to start publicity campaign in which the civic organizations and local dealers are joining. The importance of this movement

as a booster of employment and also of trade in the building material lines, is quite obvious.

## Food prices still on upward trend.

Commissioner Lubin of the Bureau of Labor Statistics, of the U. S. Department of Labor, announced in mid August that the Bureau's index of food prices at retail advanced one-half of one percent during the two weeks ending on July 31.

"The current index shows an accumulated rise in retail food prices of slightly more than 3 percent since April 24, when the current rise began," Mr. Lubin said. "The index on that date was 107.3. The present level is at the highest point reached during the past thirty months. It is slightly below the level of December 15, 1931, when the index had declined to 114.3. As compared with the index of 90.4 for April 15, 1933, the low point reached since pre-war days, current prices are up by more than 22 percent. They are 5½ percent higher than on July 15, 1933, and more than 9 percent above the level of two years ago, when the indexes were 104.8 and 101.0 respectively.

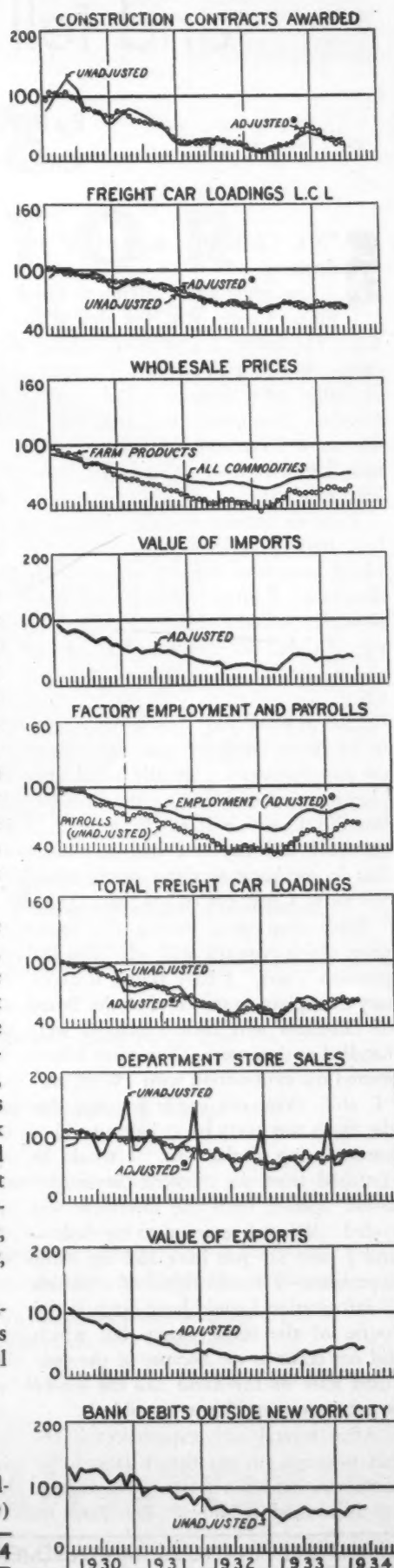
"Of the 42 articles included in the retail price index, 15 showed advances, 11 declines, and 16 remained at the level of two weeks ago. The important articles showing price increases were eggs, sliced ham, sliced bacon, lard, butter, cabbage, fresh milk, sugar, tea, macaroni and bread. Lower prices were shown for white potatoes, pork chops, leg and lamb, onions, cheese and oleomargarine. Among the important items which showed no change in average prices were round steak, rib roast, canned red salmon, evaporated milk, wheat flour, rice and coffee.

"Of the 51 cities covered by the Bureau advances occurred in 31, decreases were registered in 19 and one city, Fall River, Mass., showed no change.

## Auto production shows some let-up.

Report by Cram's for the week ending August 11 (Continued on page 39)

## Department of Commerce Charts 1923-25=100



# Can you stand on your feet and tell 'em what you think?

By R. W. MILLER, Attorney for Adjustment Bureau,  
Kansas City Association of Credit Men.

**C** "Mr. Chairman, and fellow students:

Last night I was talking to Frank Jones, Credit Man for the White Co. He knew I had been taking a course in Public Speaking. He wanted to know what benefit I had received from it. The more I told him about it the more I realized the debt of gratitude I owe each of you for the help I have received.

Prior to coming up here last fall I had attended luncheons and conferences where matters of importance were being discussed. I often wanted to ask questions that would clear up the subject for me. I didn't do it because I apparently was afraid of the sound of my own voice.

Like most of you, I have been called in on many creditors' meetings during the past few years. Usually I had some plan in mind of handling the situation. But did I outline it to the group? I assuredly did not! I had too much fear in my heart that the words would fail me if I ever got on my feet.

More than once during the recent years which posterity will call "The Depression Years," I have found it necessary to explain to my chief or the Board of Directors why certain matters were handled as they were. Too often I have started my explanation with "Well, ah," "I, ah." You can easily imagine that the finish was every bit as halting and as unconvincing as the start. I would be confused from the moment the conversation opened until the interview was ended. When I returned to my desk—and I dare say you have had the same experience—I would think of a wealth of information I could have given in the course of the conversation, but which did not occur to me because of the confused state of my mind and my desire to get away as quickly as possible.

After several such experiences it began to dawn on me that I lacked the confidence and the training to express my ideas and opinions. But how to

*Most Associations begin to plan their educational programs early in September. Because of the importance to Credit Executives of public speaking, many Associations include courses in this subject in their educational plans. The author of this article has given much of his time to promote training in public speaking among members of the Kansas City Association and presents some excellent arguments for such study. We hope Mr. Miller's suggestions will be helpful to other associations.*

overcome that timidity puzzled me until I learned of this class. Even then I was somewhat dubious and extremely nervous about enrolling. As a matter of fact I literally had to drive myself up here last September.

While I realize I am far from being a public speaker, I can conscientiously say that this course has improved my self-confidence, my ability to reason and my appreciation of the value of facts, as opposed to guess-work. It has taught me the habit of mental alertness, has helped me crystallize my ideas and clarify my thinking. Further, it has instilled in me a more sincere interest in people and in human problems. Last, but not least, it has been the avenue through which sincere friendships have been formed—all of which have been invaluable.

Many people whom I did not previously appreciate I now regard among my best business friends. Before, they were cool to me. I know now that it was because I had somehow given them to understand I did not care about their problems. Today, their interests are my interests. As a result I am getting a great deal more out of life.

In the twenty-five weeks this class has

been in session I have noticed that sooner or later the "inner man" has been revealed in one or more speeches. And I am happy to say that during those weeks I have found hidden nuggets of real character in each student.

Another source of extreme satisfaction to me is the general knowledge I have gathered from the nearly four hundred talks given by the members of this class during the school year just ending.

I could go more into detail explaining the various ways in which this work has helped me, but in so doing I would necessarily have to intrude on some other student's time.

Permit me, then, to again thank all of you for opening up to me a hitherto undiscovered mine, the deep vein of satisfaction that leads—through this work—to practical self-expression."

The speaker was just finishing a course in Public Speaking sponsored by one of our Associations of Credit Men.

He had been going through the process of re-learning. The plastic days of his babyhood, childhood and adolescence were a thing of the past. He was up against the proposition of going back and being led to the unafraidness, the openness of mind, the frankness and enthusiasm of earlier years. In so doing he had enriched his store of experience, facts, knowledge, imagination, and even fancy.

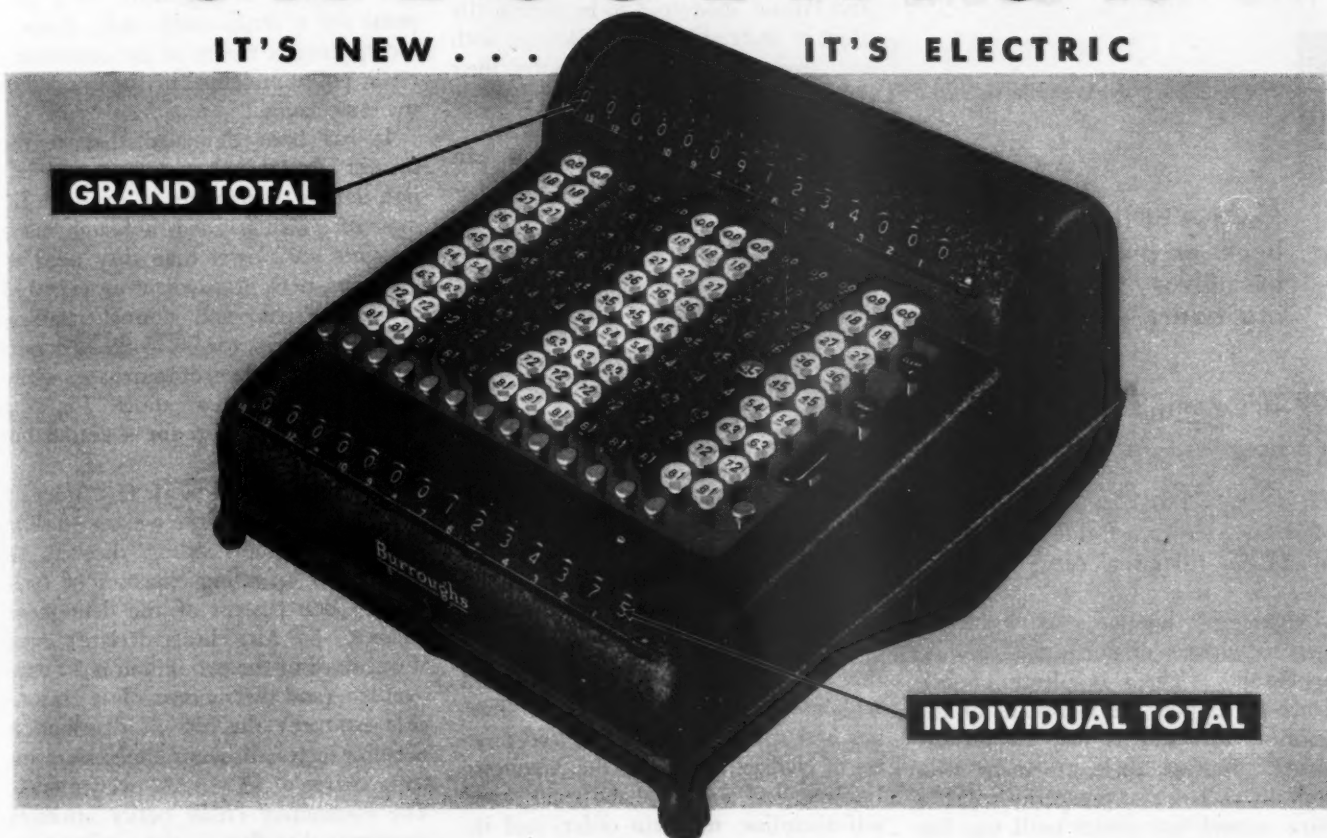
The plan of instruction followed the philosophy that the only way to learn to do a thing is by doing it. Consequently, each student was required to give a five minute talk each night. Obviously, the beginning student spoke of those things with which he was most familiar—his work, a recent trip or, perhaps, a hobby. As the work progressed the scope of subjects was automatically enlarged upon. Such matters as "Women's Hats," "The Planetary System," "The Gold Standard," "Bimetallism," "World Peace," "The Life of Abraham Lincoln," "The Constitution As Construed Today," "Cures for the Depression" (many of) (Cont. on p. 44)

# Burroughs

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**ACCUMULATED TOTALS** . . Touching the motor bar transfers the individual totals from the front dials to the rear dials where they accumulate as a grand total.

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## Paging the new books



Reviews of the important books on business, to aid executives whose reading hours are limited.

### This month's business book

**EUROPE BETWEEN WARS?** By Hamilton Fish Armstrong. The MacMillan Company, New York. \$1.25.

The biggest question asked at the moment is whether or not war is pending in Europe. There is plenty of evidence to support the viewpoint of the alarmists that war is just around the corner. In fact, there are many who cynically declare that prosperity will not come around that corner until war has laid the basis for another inflationary type of prosperity, such as that which followed the recent war.

From the pen of Hamilton Fish Armstrong, Editor of "Foreign Affairs," comes this short book of just over 100 pages. It is entitled "Europe Between Wars?" Mr. Armstrong does not attempt in it "to discuss the immense difficulty of establishing any system of collective security or to weigh programs of economic Democracy. But those," he says, "still seem the only antidote to war and dictatorship."

Starting with the struggle in Germany, he outlines with decisive pungency the forces that are now in conflict within the Nazi state. Mr. Armstrong analyzes the foundation of the Nazi government and the background of the recent troubles.

Although Chancellor Dolfuss has since been shot by Austrian Nazis, the chapter on Dolfuss, Mussolini and Hitler is still an excellent analysis of the forces combatting for power within Austria and the efforts by Mussolini and Hitler to develop their own strength within this faded remnant of the once glorious Austria-Hungary. And the European situation, he reveals, is not a simple puzzle by any means, rather a complicated jig-saw, for the smaller independent states such as Czecho-Slovakia, Jugo-Slavia, Roumania, Bulgaria and Poland are forced to be continually alert in their shift from alliances with one strong state or another, so that their own precious autonomies can be maintained.

After surveying the entire European scene, Mr. Armstrong devotes his final chapter to an analysis of fundamentals. It is his belief that "it is dynamic democracy, dynamic in the economic as well as in the traditional political realm, that must be invoked to safe liberty. The doctrinaire's fate is oblivion. An awakened and efficient democracy determined to cope energetically with its economic problems is a more powerful antagonist. Dynamic democracy offers another alternative where today many see only two—the dictatorship of Fascism and the dictatorship of Bolshevism."

The answer to the claims of pretenders to the Fascistic or Communistic dictation type of government is to show that what they promise can be provided without the sacrifice of essential liberties and without interrupting the process of civilization. "Can the American, English, and French democracies learn self-discipline, maintain order, and increasingly provide social justice? Can they meanwhile resist the lure of dictatorship? Can they restrain the military menace of those nations which have succumbed to it without allowing their own fears to lead them into provocative acts. If so they will again have the opportunity to begin a system of collective security and, corollary to that, a system of progressive disarmament. Dictatorships for all their show are rickety affairs. They seem impregnable—until they fall."

In these times when the "fascist shirt" business seems to be the only one to reflect continuing demand, Mr. Armstrong's plea for "dynamic democracy" sounds like a new doctrine. Before we follow a "man on horseback" it will be the part of wisdom to know definitely whether the path he points out leads to

a real highway or merely around to an even more tangled bog.

—P. H.

### Community credit policy

An interesting and intelligent attack on the problems involved in retail credit has been evolved by the National Credit Executives Council of the National Retail Credit Association. In a symposium, recently received by the Editors of Credit and Financial Management, on a proposal for a retail credit code, there is incorporated a theory of the community credit policy presented by the Council to the Association.

It has been estimated that at the present time there are at least two billion dollars outstanding in retail credit, most of which is good, although many accounts are slower than they need to be. Slowness in payment is expected to some extent, and normal retailing operations allow for 30 to 45 days outstanding from date of purchase, while installment accounts allow for the money to be tied up for a reasonable period.

But it is estimated by H. H. Hilder of New York, that for every extra 30 days an account is outstanding, there is an increase in operating expenses of one-half of one percent of the delinquent balance. So, Mr. Hilder declares, even if one-third of the two billion is 30 days overdue (and that is certainly a reasonable estimate) the cost of distribution is being increased by an unnecessary interest charge of \$3,333,333 every month. The community credit policy attempts to correct that flaw in the credit structure, as well as others.

Youngstown, Ohio, is one city in which a community credit policy has been adopted by members of the Retail Merchants Board, the Retail Credit Association, and the Merchants Credit Bureau since August 28, 1933. The Youngstown merchants provide for a carrying charge on balances over 30 days old, allow billing on the following month's statement of any business transacted on the last three business days of each month, and realize that all accounts are due and should be paid not later than the 10th. of the month following purchase, but at the same time do not consider these accounts delinquent if paid (Cont. on page 39)

An optimist is the fellow who lights a match before asking a friend for a cigarette.

☆

*And...*  
*when he is*  
*50*



RITTASE

**THE** true measure of progress of an institution is in its performance over the years. The first Standard policy was written 50 years ago. Today more than a million people enjoy the security of Standard protection. In 50 years this sound, time-tested Company has paid over 135 millions of dollars on behalf of its policyholders. ☆ Standard is justly proud of its record, and it anticipates the future with a thorough appreciation of its responsibilities, and a definite knowledge that its financial structure is prepared to meet them. When the youth of today reaches fifty, Standard will still be serving. ☆ Responsible brokers and agents everywhere can supply Standard casualty insurance and bonding protection.

Standard writes: Automobile Insurance, Personal Accident and Sickness Insurance, and policies covering Burglary and Holdup, Plate Glass Breakage, all forms of Liability Insurance, Workmen's Compensation and Fidelity and Surety Bonds. A national organization of agents, inspectors, safety engineers, auditors and adjusters assures satisfactory attention.

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# "This month's collection letter"

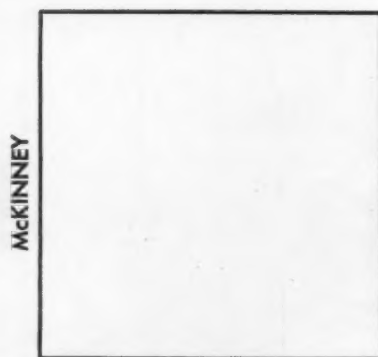
By R. A. DICKSON, McKinney Mfg. Co., Pittsburgh, Pa.

Gentlemen:

You've heard lots of talk about the New Deal. Its broad vision and high ideals appeal to all of us. All signs point to the fact that it is succeeding, and will continue to be a part of our business life in the future.

Now scratch the surface of this New Deal; look beneath and you will find that it's just an old friendly wood-cut done over in bright up-to-date oils. It's our old friend, The Square Deal, (on which credit is based) brought right up to the minute.

Let's refer to your account. We'll find one side missing on our square.



It would look better filled in, wouldn't it? Never mind using oils or water colors to touch up this picture. Your check pinned over that empty space would look good to us. Send it along with an order and we'll help make that Square Deal into a New Deal: a promise into a reality.

Yours very truly,

McKinney Manufacturing Company.

**CFM** "Here is an example of a request for settlement that can be used to advantage and which we think is better than a direct demand," Mr. Dickson writes.

"Letters of this type secure attention, appeal to fairness and are convincing. The results obtained prove this. If this type of letter does not succeed then we can still fall back on the ordinary dunning letter.

"The answers received from customers are interesting and they usually say if the money is available or make promises which they keep. We do feel better about it if we can collect and still hold good will."

We will let our readers judge for themselves whether or not this letter

"can collect and still hold good will." The next paragraph was typed on the back of the above letter and sent to Mr. Dickson:

"This picture is all right, except you have overlooked the "fourth dimension," which according to Mr. Einstein is forward or backward. We are looking forward to being able to send you a check before very long, but are backward about sending it when we do not have it in the bank."

Supplementary to your collection letter efforts there should be reliance on Credit Interchange reports. With interchange reports before you on each of your accounts, you will attain maximum effectiveness in using the collection letters presented here.

CREDIT and FINANCIAL MANAGEMENT . . . . . SEPTEMBER, 1934

**50**  
**Collection Letters**  
**50**  
**Cents**

Published by the  
National Association of Credit Men,  
One Park Avenue, New York, N. Y.

## Measuring Ability

(Cont. from p. 9) impossible. The policy of financial secrecy prevailing in past years, is fortunately being abandoned by an increasing number of corporations.

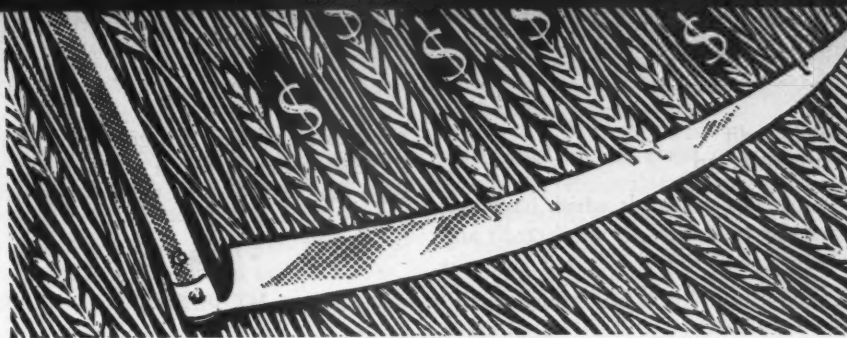
Practically the problem of securing competitive sales figures is usually of minor importance. More serious is the question of ensuring proper comparisons. This is true in all analysis work. It is obviously true in the particular situation we are discussing.

Many companies that superficially appear to be competitors are not at all comparable. Consider for example the paper industry. It would be quite improper to compare the sales of the A. P. W. Paper Company with the sales of the American Writing Paper Company. They manufacture different products, sold to different customers, with different sales policies and methods. In the past gross analytical errors have been made by depending too much upon apparent similarities such as, in this instance, the inclusion of the word "paper" in the corporate titles of the companies.

A less obvious error would be found in comparing the sales of two companies engaged in selling coal and building material, if one of them sold much coal and very little building material and the other sold much building material and very little coal.

Geographical location may affect comparison since the trade territory of one company may be in a prosperous business condition while the territory served by another may be stagnant. But these are elementary matters to the experienced analyst who is always alert to the dangers of invalid comparisons. It is sufficient to point out that the companies involved in any sales trend studies should be true competitors meeting on the common ground of their customers. The method, itself, intelligently applied, can be of great value in "border line" credit problems. While it is based on an assumption which is not invariably true—that favorable comparative sales trends indicate general management ability—nevertheless the contradictory cases can be easily detected by the distorted financial position and relative paucity of profit that result when selling is the only objective of a management.

—o—  
"If you print any more jokes about Scotsmen I shall cease borrowing your paper," writes a man from Aberdeen.



# Reaping dollars

is easy for  
the man with  
on-the-spot  
knowledge  
at his  
finger-tips



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## Retail credit trends reversed

A reversal of trends which have persisted for four years in retail credit and collection experience of retail stores is reported in the Commerce Department's most recent retail credit survey, released July 31.

Customers, during the latter half of 1933, began to pay their bills more promptly for the first time in four years, to buy a smaller proportion of their goods for cash and a larger portion on open account and on the installment basis, and to pay up their accounts more satisfactorily so that bad debt losses were considerably reduced.

There was a steady gain during the depression in the proportion of goods that were bought for cash, these surveys reveal, accompanied by a decline in the use of the credit privilege. Whatever may have been the cause of this trend, the present report shows that the situation is now reversed and there was a definite change during 1933.

Cash sales were 48.6 percent of total sales in the July-December period of 1932, and only 47 percent for the corresponding period in 1933; open credit sales amounted to 42.3 percent of the total in the 1932 period, and 42.6 percent in the more recent period. Install-

ment sales showed the greatest relative increase, climbing from 9.1 percent of sales two years ago to 10.4 percent last year.

## MY BONNIE

My tYpust is on her vacation  
My trpist's awau fpr a week/  
My typudt us in her vscarion  
Wgile thsee damb keys ply hude and seej.  
Choris  
Breng bock, bting bzck  
Oy brung becj mub Onnie.ti my tp, mr;  
B(&ng b4xj, be-ng bicz  
Oj, bvong bosk m% beInio-1 mx—  
oh helk!

"Will we ever have a woman President?"  
"No, of course not. A President has to be at least thirty-five years old."

## Seven rules

(Cont. from page 17) letters when, as a matter of fact, form letters will do just as acceptable a job, in fact, more so in the majority of cases. When I say more so, I simply stress the obvious fact that a form letter is always better than an extemporaneously dictated letter. It is usually patterned from two or three successful letters which have been written, re-written and then again re-written to the height of their efficiency. There-

fore, most organizations use form letters for at least the first two or three times after maturity of an account.

As far as form letters for accounts of larger amounts and accounts that have reached the stage of seriousness, I doubt very much the value of form letters, because you cannot treat the subject in as sufficiently a personal manner as you can in a personally dictated letter. It is true that there are many selections of what have been found to be very successful collection letters, in print. If you can find a very clever letter that will fit the case involved, fine. But, unfortunately, we do not know our customers for the most part as well as we ought to and, therefore, the appeal of humor, pathos or any other psychological form is of doubtful value.

Picking out letter No. 239 to send to the John Smith Company after an account is 60 days old is very much like attending a meeting downtown and hearing a representative of another company advancing the theory and possibilities of a new business machine just installed. If you install a machine or a system without adapting it to your own particular problem, it is just so much money thrown out the window, only it may be worse in the case of a collection letter. The use of the wrong type of letter may lose a customer that it has cost considerable money to obtain.

Another phase of this most-interesting subject is the number of collection letters that should be written in connection with one account. The writer must decide how many letters he wants to write before he actually brings legal action or drops the matter, how long an interval should elapse between letters, the varying degree of firmness to apply, the successive appeals to use, and all manner of other important items of the whole series of collection letters.

Most important in any collection letter series are promptness and regularity, it being true in most businesses that delinquent accounts can be collected without nearly as much effort if they are followed systematically at their maturity. The smaller the interval of time that elapses between the enjoyment or the consumption of whatever it is that is billed, or in other words, the time between the purchase and the billing, more likely will the debtor be to realize and admit his debt. As this interval grows, the acknowledgment of the debt reaches that of moral responsibility. Here again, the ease or difficulty of effecting the collection varies greatly in different industries, and also among different concerns within the same industry.

New York convenience  
for

## CREDIT MEN



A WARM WELCOME AWAITS YOU AT THE  
**HOTEL WINTHROP**

Lexington Avenue at 47th Street

**For your personal comfort:** The Winthrop offers you super-size rooms, baths and closet space . . . extra large windows make each apartment airy and light. A highly trained hotel staff gives you perfect service. The Restaurant serves delicious food and fine liquors at very low prices. There is also a make-you-welcome spirit at The Winthrop that you'll like!

**For your business comfort:** The Winthrop is official headquarters for the National Association of Credit Men—convenient for after-office conferences: it is only five minutes from the main office at 1 Park Avenue—two minutes from Grand Central Terminal and not more than ten minutes from Times Square. This central location is a great time saver.

<b>Rates:</b> Single, \$3 up	Double, \$4 up
<b>Restaurant</b>	
Luncheon 50¢ up	Dinner 75¢ up
Club Breakfast 25¢ up	

By and large, in order to follow up an account most effectively the attention of the collector to it must be properly timed. First of all, he should know when the account is due and whether or not it is paid at that time. Every follow-up must, of course, originate with the account itself, hence the basis of any system in the accounts receivable or customer's ledger.

Your first problem is to discover the accounts which are daily becoming overdue. If they are comparatively few in number and the necessity for daily action upon them is not present it may be found the simplest and most effective method is for the Credit Manager to inspect the ledger at regular intervals to learn the exact status of each account. This results in taking what action is advisable on the delinquent accounts and making the proper note on the margin of the ledger card.

With the exception of the smaller businesses, however, credit men feel that the advantages of this system are greatly outweighed by their disadvantages. Too much time is spent in looking through good accounts for the purpose of discovering the few slow ones, and there is, of course, possibility of friction between the collection and bookkeeping departments over the use of the ledger.

Some companies use a collection tickler. This, of course, charges the Accounting Department with the duty of informing the Credit Department of all accounts which are not paid at maturity, and to do this ledger clerks look through their respective ledgers at regular intervals, making statements of such overdue accounts. For example, one house may require the statements to be

(Continued on page 34)

## Was the letter mailed?

(Cont. from page 18) be denied in the face of such evidence. Whether or not a given letter is important enough to justify the red tape here involved must of course be decided on the facts of each case.

On the other hand, business prudence may well dictate the handling of the mailing of all "key letters" to contractual correspondence in some manner that will permit proof of their mailing to be established thereafter, if the occasion demands. One simple and effective way that fits readily into office routine may be suggested.

When a letter of this class has been approved by the proper executive he, or some responsible employee, after first of

course having compared the original and carbon copy, may note on the latter in his own handwriting: "The original of this letter, properly addressed and stamped, was mailed by me 2 P. M. June 1, 1934." Sign his name, then mail the letter.

This notation on the carbon copy may serve several purposes. First, it will closely identify the person who actually mailed the letter, months or even years thereafter. Second, it will tend to refresh the memory of such person and be conducive to the giving of positive and convincing testimony of the mail-

ing. Third, in the event of the death, insanity, or removal from the jurisdiction, of such person it will generally be received as evidence of mailing, when properly authenticated, and shown to have been made in the regular course of business.

This procedure will furnish a reliable record of the mailing of important letters, along with the source of evidence necessary to establish the actual mailing, and is worthy of careful consideration when ways and means of preserving a record of correspondence of this character is up for decision.

## He made a big "killing" but not at the track



Before granting credit you check up on FIRE insurance—why not on HUMAN insurance? A man, as well as a fire, can wreck a firm.

★ He was a big shot at the track, the bookies' boy friend, for he invariably lost. "Just once more," he would say, "this time for a big killing."

He made a "killing" all right but not at the track. When his company woke up, too late, his accounts were short \$37,000. The company crashed.

\* \* \*

Appreciating the fact that an embezzlement by a trusted employee can seriously affect the financial stability of the concern with which he is connected, wise credit men recognize the lack of Fidelity protection, or of an adequate amount of it, as a danger signal when considering applications for credit accommodations.

On the other hand, when they find that the applicant's officers and employees are bonded in a satisfactory amount by the Fidelity and Deposit Company of Maryland, they know that, on this

score at least, the applicant is as nearly loss-proof as any concern can be.

Annual embezzlement losses of approximately \$200,000,000 indicate clearly that credit men should no sooner neglect to check up on an applicant's Fidelity protection, than they should fail to make sure that he is carrying adequate fire insurance. A man, as well as a fire, can wreck a firm.

## FIDELITY AND DEPOSIT COMPANY OF MARYLAND, BALTIMORE

The F&D and its affiliate, the AMERICAN BONDING COMPANY OF BALTIMORE, specialize in the writing of Fidelity and Surety Bonds, Burglary and Plate Glass Insurance.

## Seven rules

(Continued from page 33)

drawn off on the 5th, 10th, 15th, 20th, 25th, and last of each month; others, three times a month. And, of course, in each case, it is only the items which have matured since the last previous statement date that will appear on the current statement. Under this plan, of course, nothing is left to chance, provided that no overdue accounts are overlooked by the ledger clerks—all accounts turn up automatically on the collection desk at the desired time and overdue accounts are handled systematically and at fixed intervals.

Another system that is used in some offices is what is known as a Maturity List under which plan the ledger clerks at stated intervals list under their maturity date the accounts which will mature between the present and the next listing dates. Remittances as received are checked against the records and daily list of delinquencies referred to the credit clerk. While this entails more work than the tickler system described, it provides a more prompt notification of all delinquencies to the Credit Department. A selection between the two would depend upon how promptly it is desired to start the collection routine after maturity of invoices.

In other credit departments a duplicate invoice system is in vogue—an extra copy being made at the time of billing. These invoices are placed, according to maturity, in a vertical file, bill size, with guides from 1 to 31. Two common methods are in use. Either the invoices are withdrawn as remittances are received, or each day, which is the maturity date for a certain number of invoices, the invoices for that date are checked against the ledger account and those unpaid are referred to the Credit Department. Often a few days of grace are given before the collection campaign is started. If desired, the collection action may be recorded upon the invoice or the invoice itself may form the base of the follow-up collection letter fine.

And now, returning to the subject of collection letter series, we are all agreed to the advisability of billing regularly and starting collection letters as soon as advisable after maturity of the invoice. After the first collection letter is started, the system should proceed regularly until the account is collected, judgment entered, or it is written off the books as uncollectable. Again it is impossible to set any definite series

of intervals, but the principal of regularity should prevail even if no regular series of form letters is used, even if the account is not large enough or important enough to justify a sequence of individually dictated letters, these letters should leave regularly until the account is finally disposed of. In your series the underlying theory is a gradually increasing degree of insistence and rigor. The series will probably be started by a statement, although many companies have discontinued using statements due to the vouched systems generally in effect.

Then you are ready for your first letter after a decorous interval, a few days longer than it would take for a statement to reach a customer and a return check to come back. Most people are very touchy about their delinquent accounts. Oftentimes a customer will take a rather sharp collection letter as a pretext for discontinuing his business and definitely postponing the payment of the account. Therefore, in your first letter or two, you must be very tactful so that it cannot possibly give offense, not only to avoid offending an over-sensitive customer, but taking into consideration that a good customer may be withholding payment for some legitimate cause. Collection letters should certainly avoid the old whine for money. The first letter should be basically reminders, but, nevertheless, persuasive reminders. After the second letter the collector should begin to tighten up and the customer should be persuaded to pay by appealing to honor, pride, fairness or sympathy and later to his self-interest, fear of loss of credit, fear of notoriety, and last, fear of legal action. One very important matter to remember is the advisability of leaving the way open for the customer to pay with good grace and without admitting that he had been in the wrong. Therefore, collection letters should enable him to pay without humbling his pride in the least, and the assumption should be at all times that the customer will pay, because if the collector lets his correspondent see that he thinks the case is hopeless, usually it turns out that way.

The customer should be made to feel his responsibility and that the obvious and expected thing for him to do is to pay his bill.

When an account has been on the books so long that you have practically given up hope of retaining the goodwill and custom of the debtor, then the

problem becomes that of collecting by any legal means regardless of offense or disgruntlement. Under such circumstances, the collector is only too likely to resort to threats that constitute extortion in law. Although he must phrase his statements carefully, the writer wants to convince the debtor that the credit firm will no longer temporize, but will enforce collection by such means that he can and may use.

And here again a straightforward and firm statement that will command respect and possibly compliance is to be much preferred. Idle threats should be avoided. In other words, a threat or promise should never be made that you have no intention to keep. If you say that you will turn the account over to your attorney on the tenth of the next month if payment has not been made, then it ought to be done. It is far better to avoid making threats of any sort except as a last resort, for threats have a finality about them that makes future business relations practically impossible.

A frequent expedient and one that is very often effective is the use of telegrams. One Telegraph Company has issued a booklet which suggests several ten word combinations for collection telegrams which should be of interest to any collection manager. By patterning telegrams after their examples, any possibility of running amuck of the law will be foregone.

In conclusion, the various points that have been considered should help to keep collection expense at a minimum, and at the same time insure the quickest possible collection in any industry.

## Budgetary control

(Continued from page 21)

9. Any necessary revisions are made in the records to enable comparisons to be made between the estimated and actual performance of each department. Monthly and quarterly reports containing such comparisons, also like comparisons for the business as a whole are made to the budget executive, and are transmitted to the budget committee, also, if desired, to the board of directors. Revisions are made in the budgetary program by the budget committee in case the actual results as shown by the reports require such changes.

While the foregoing outline is intended to be suggestive only, and would have to be varied to fit different conditions in actual practice, such as the size of the concern, type of business, etc., the following fundamentals would be in-

cluded in any plan of budget control:

1. A forecast of the operations of each department of the business for a certain period.

2. The coordination of these departmental estimates into a balanced program for the business as a whole.

3. The preparation of reports showing the comparison between estimates and actual performance, and the revision of the original plan when such reports indicate the necessity for change in the original estimates.

The whole plan for budgetary control will prove ineffective unless something is done with this information after it has been obtained by those in charge. Budgets of themselves do not control operations so as to produce a profit and arrange to provide needed funds at all times. The budget is merely a tool to enable the management to act so as to accomplish these objects. To this end it is necessary that the budget executive and the budget committee study carefully the discrepancies between estimates and performances and endeavor to learn the reasons for these differences.

According to the plan of control which has been instituted, either the budget program is changed or such executive action is taken as will result in conformance of the departments to the budget estimates.

If the department heads and their assistants understand fully the budget plan as it affects them and are in sympathy with its objects, it will be much easier to secure satisfactory results. And the more they feel that the portion of the budget that applies to them is *their* budget and the greater their knowledge of the results aimed at, the more readily will they cooperate to accomplish these ends.

This question is of importance in deciding by whom the departmental estimates are to be made. In some instances all estimates are made by the treasurer or by the comptroller if there is one. In my experience it is best to have them made by those who are to be made responsible for carrying them out, in other words by the heads of the departments. They may be assisted by the general office, but each should feel responsible for the estimate made for his department and that accomplishment is expected to correspond with estimate.

In this connection the importance of reports showing comparisons of estimates with performance in all departments each month is very great. Such reports will do little good, however, unless they are made out promptly at or

very close to the first of the succeeding month. Each day of delay in receiving the comparisons means just one less day available to correct any outstanding discrepancies which may appear.

Reports on January results which are in the hands of the budget executive and of the budget committee on February 1st or 2nd are of great value in enforcing budgetary (Cont. on page 40)

#### Science in business

The economics of business is regarded as a science, along with chemistry and physics. But is it? Can it ever be

an exact science? It would seem not, because of one factor—human nature.

For example the influence of human nature on the determination of prices and values is illustrated by the following conversation between two rural citizens:

"Hello, Bill, did you buy that horse?"

"Yes."

"How much?"

"Eighty dollars."

"Too much!"

"But I sold him right away for \$100."

"Not enough!"—*Nation's Business.*



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The loss of a single second in flicking the wheel, or applying brakes, may spell injury or death or costly property damage. Your need for adequate automobile insurance *protection*—that's the first half of the story.

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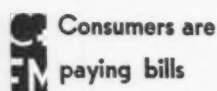


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# Notes About Credit Matters



Consumers are  
paying bills

An important indication that consumer purchasing power during this past half year has been better than in the corresponding period in 1933 is revealed in the fact that consumers have paid their charge accounts at department stores more promptly this year than they did in the first half of 1933 according to monthly collection percentage figures announced by C. T. Murchison, Director of the Bureau of Foreign and Domestic Commerce, on the basis of reports gathered by the Federal Reserve Board and the Department of Commerce.

Accounts Receivable for the first five months of this year, both open and installment obligations, were paid at a much higher rate than for the corresponding period of 1933, Mr. Murchison states. Collection percentages were more favorable in May of the current year, the latest month covered by this report, than they were in April reaching the highest point of the year to date.

These data on retail collection conditions are based on the credit operations of a representative group of about 400 department stores reporting their open account collection experience and over 250 reporting on installment accounts. The comparative figures for 1933 are those gathered by the Department of Commerce in its retail credit survey. That survey was published in a recent issue of "Domestic Commerce" which can be obtained from the Bureau of Foreign and Domestic Commerce at five cents a copy or one dollar a year. It is issued on the 10th, 20th and 30th of each month.

## Forecast

On the basis of the best facts available, Leon Henderson, chief of NRA's Division of Research and Planning, foresees a substantial rise in business for the Fall and a less than usual slump during the remainder of the Summer. While NRA's chief economist emphasizes that there is no expectation of a boom development, he points out that the decline thus far this Summer has been less than normal, and that there are now numerous signs of an upward trend in business generally.

Encouraging barometers: Money is coming out of hoarding—the use of bank checks is steadily increasing—revival of capital goods industries is looked for through the Government's Housing Program—rate of repayment of building and loan obligations is up—amount of unrented property held by building and loan associations is down—prices of basic agricultural commodities have been maintained and payments to farmers substantially increased.

Also revealing are such "homely indicators" as the jump in marriages, the increase in the sale of living room rugs, the charts showing that families which have been crowded are now spreading out and filling vacant apartments and houses. A very significant item, in Mr. Henderson's opinion, is the fact that personal debts are being paid up in full at a record rate. He points out that extra money coming to individuals does not show in the economic picture until such debts are paid off.

Preliminary figures from the Census of Wholesale Trade are now available in reports for practically all States. The following table gives summary informa-

## National census of business

A national summary from the 1934 census of American business will be available in preliminary form shortly. For each of the three phases of the census, there will be presented monthly employment data by kinds of business for 1933, including for each kind of business for part time and full time employees separately, the average number for the year and the actual number for each month. This information will be shown separately for the U. S. states and cities over 500,000 population, with the wholesale trade data represented by 25 kinds of business.

Wholesale trade, by type of establishment and kind of business in 1933 will be shown in a table presenting, for each kind of business by type of establishment the following information: Number of establishments, net sales, reported expenses, average number of full-time employees, total reported payroll, part-time payroll, and stocks on hand.

This information will be compiled for the following areas, by types of establishment, and kinds of business: (1) For the United States, States and approximately 20 strategic cities, by 25 kinds of business for the following 19 types of establishment: Wholesale merchants; exporters; importers; limited function wholesalers; bulk tank stations; chain store warehouses; manufacturers' sales branches, (Cont. on page 42)

tion from 19 States recently released. Copies of these individual State reports are available upon request to the Bureau of the Census, Washington.

State	No. of Establishments 1933	1933 Sales	Percentage Change from 1929 to 1933			
			No. of Establishments	Sales	No. If Employees Full-Time & Part-Time	Salaries & Wages
Alabama.....	1,548	\$187,886,000	-11.2	-67.2	-28.6	-49.3
Arkansas.....	1,119	115,754,000	-45.5	-69.0	-21.1	-40.2
Colorado.....	1,742	230,781,000	-16.1	-57.3	-19.4	-37.9
Connecticut.....	1,314	220,617,000	-4.0	-57.6	-33.4	-41.5
Florida.....	1,985	256,006,000	-3.4	-45.1	+ 0.4	-33.0
Indiana.....	4,247	399,330,000	+13.7	-56.7	-18.2	-40.9
Iowa.....	5,057	447,254,000	+ 2.1	-57.7	-23.3	-40.5
Kentucky.....	1,973	259,871,000	-2.7	-50.3	-32.3	-41.3
Maine.....	788	97,686,000	-20.2	-48.6	-26.8	-38.1
Minnesota.....	5,001	793,495,000	-9.4	-53.8	-18.1	-35.0
Mississippi.....	1,246	142,831,000	-27.3	-62.9	- 8.1	-40.1
Montana.....	1,231	46,073,000	-1.4	-52.0	-18.6	-31.3
New Jersey.....	2,648	491,049,000	+13.0	-51.3	-15.2	-36.1
North Carolina.....	2,271	372,912,000	- 5.9	-48.0	-36.1	-36.4
Oregon.....	1,325	193,841,000	- 7.9	-58.5	-27.1	-41.7
Rhode Island.....	526	132,477,000	-28.6	-55.9	-38.8	-52.5
South Dakota.....	1,655	71,770,000	-16.1	-69.6	-20.8	-42.8
Tennessee.....	1,929	428,374,000	-14.5	-59.9	-22.0	-43.8
West Virginia.....	1,158	170,269,000	+ 2.3	-50.9	-22.3	-42.9

## Credit careers



**F. EDWARD BARKLEY**

**F** This month we honor the Credit Manager and Secretary & Treasurer of C. M. McClung & Company, of Knoxville, Tennessee, who was born in Washington County, Tennessee, the son of Ebenezer and Sarah Eleanor Barkley.

Mr. Barkley received his early education in the public schools of Greeneville, Tenn. In 1904 he came to Knoxville and entered business college, where he completed a course in book-keeping and banking. He then secured a position with C. M. McClung & Company, Wholesale Hardware and Supplies, with which company he has been actively associated for twenty-nine years.

Mr. Barkley is one of a small group of Credit Men who organized the Knoxville Association of Credit Men. Since its organization he has been a very active member, having served as Secretary, Vice-President and President. He has also represented the local association at several Conventions of the National Association of Credit Men. In June, 1932, at Detroit, Mich., he was elected a National Director of the Association, and has been honored by being appointed on some of the important National Committees.

He is a member of the Knoxville Chamber of Commerce, Knoxville Lodge No. 718 F. and A. M., is a director of the Adjustment Bureau and

has been repeatedly elected Chairman of the Board; is on the Board of Governors of the Wonderland Club, located in the heart of the Great Smoky Mountain National Park and holds the office of President. He is a very active member of the Fourth Presbyterian Church, having served as Superintendent of the Sunday School for a number of years. He married Miss Katherine Lynn in 1912, and has two daughters, Josephine Lynn and Kate Lynn Barkley.

**L. Fred Bomhoff**

The N. A. C. M. lost another of its prominent workers when L. Fred Bomhoff of Jackson, Michigan, died in Philadelphia. Mr. Bomhoff served a term on the National Board of Directors beginning 1930, and was well-known in credit circles throughout the country.

A former Jackson industrialist, civic leader and one time City Commissioner, Mr. Bomhoff died suddenly while visiting relatives with Mrs. Bomhoff. Until recently he had been Conservator for the closed Union and Peoples National Bank of Jackson and prior to that had been an official of the Jackson Steel Products Company.

He was born in Millville, New Jersey. Commenting on his death the Jackson Citizen Patriot declared that "When death came so suddenly to L. Fred Bomhoff, this community lost another substantial citizen and one who had been prominent in the civic and industrial life of the city.

"Though he was reserved and not much given to making demonstrations, Mr. Bomhoff left a deep impress on the community and his passing is a distinct loss to Jackson.

"As an official of a large manufacturing concern he was a prominent figure in the industrial life of this city. Later he ably served the municipality as a city commissioner, his experience and knowledge regarding financial affairs being a valuable asset.

"When the Union & Peoples National Bank encountered difficulty he was made conservator and filled this position with distinction. Wise in counsel and conservative in judgment, Fred Bomhoff always favored and worked for those things which were for the best interest of the community. Jackson can ill afford to lose him."



**LISTER T. WATTS**

Another prominent worker in the N. A. C. M. and the field of credit has passed on. Mr. Lister T. Watts died on August 5th. at his home in Washington, D. C.

"The deceased has been a strong influence in Association affairs for a great many years. He was instrumental in reorganization at two critical periods in our Association's development and gave generously of his time and labor to the office."

That is the expression of A. L. Birch, Secretary-Manager of the Washington Association of Credit Men. It speaks for all those who in their years of contact in Association work became acquainted with Mr. Watts.

Mr. Watts was born in Pikesville, Maryland, which is near Baltimore, 51 years ago. At 17 he began work with the Standard Oil Company of New Jersey, as a messenger boy. Over 15 years ago he went to Washington, D. C., in charge of the credit department there. From that time on he was active in the local Association and served without a single break either as Director of the Association, Trustee of the Adjustment Bureau, or as an Officer, including in his work every official capacity except that of Secretary.

For three consecutive terms from 1927 to 1929 inclusive, he was President of the Association, the only man to occupy that post for three terms. He was Vice-President of the Adjustment Bureau of the Association at his death and in the point of continuous (Cont. on page 39)



# Insurance digest

**Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.**

## **EN** New office burglary and robbery policy

Recently a new policy meeting most comprehensively the crime insurance requirements of the average business office was authorized by the National Bureau of Casualty and Surety Underwriters. The policy is intended for tenants in office buildings.

Six different coverages comprise the new Office Burglary and Robbery policy, each of which indemnifies the assured for loss not exceeding \$250, as the result of:

**Inside Holdup**—of money, securities and other property, but not merchandise, from within the assured's premises. 24 hours coverage.

**Outside Holdup**—of money, securities, etc., from a custodian outside the assured's premises (provided he is within the United States and/or Canada.) 24 hours coverage. Not more than two custodians are covered.

**Safe Burglary**—of money, securities, etc., from within a locked, closed safe in the premises or removed from the premises by burglars and upon which the burglars have left visible marks of forcible entry.

**Office Burglary**—of office furniture, fixtures, equipment, instruments, supplies, etc. (but not money, securities or merchandise), by forcible entry into the office.

**Kidnapping**—against loss of money, securities and other property stolen by

persons who have kidnapped a custodian and forced him to open the office or safe or to give information which results in its being opened.

**Damage**—to any property covered by the policy and to the premises (to the extent of the assured's ownership thereof or liability therefor) caused by burglary or robbery, or attempt thereat, excluding damage to glass and lettering, and also excluding any damage by fire.

Like all special burglary and robbery policies, this new policy is simple and direct, and agents should have no difficulty in explaining it to their clients.

However, there is one important fact to remember, and that is, that policies of this kind are created for a particular type of risk, and the agent should be positive that the prospect is the type for which it is intended before he offers the policy.

It is not intended for a store, for store burglary or robbery usually involves merchandise as well as money, and merchandise is never covered by the Office Burglary and Robbery policy.

It should also be remembered that the coverages included in this policy are separate and that a distinct limit of liability applies to each.

If the assured desired additional insurance on any of these coverages applied at same location as the original policy, it may be provided by endorsement in multiples of \$250, charging 50 per cent of the premium of the original policy, for each multiple. That is to say, the whole policy must be increased not simply some one part of it.

In the event of such additional insurance being taken by the client, the additional policies must be endorsed to provide that they shall be void if and when the original policy is terminated.

We suggest attorneys, photographers, bureaus, associations, architects, engineers, agencies of all kinds, professional men, accountants, auditors and appraisers, as composing a good field in which to solicit this new and long-needed type of insurance.

If the prospect is a dentist, the policy may be endorsed to cover gold, platinum, and other materials used by the dental profession. The additional charge for this extension is 50 per cent of the original premium.

Although the office burglary and robbery policy may be written for a physician or dentist who has an office in connection with his apartment, it should be borne in mind that this policy does not give the broad burglary, theft, robbery and larceny coverage of the Resi-

dence Burglary policy, being intended primarily for offices in office buildings. The latter policy, endorsed to include coverage for gold and other precious metals, would be the most satisfactory in the medical profession.

The Office Burglary and Robbery policy can be sold to offices out of which salesmen work, and which may occasionally contain samples, but it should be explained to the client that these samples, being merchandise, are not covered by this policy.

The amount of insurance is recurrent and is not diminished by payment of loss; therefore, no reinstatement endorsement is necessary. This new policy form is not to be issued for a term exceeding one year.

It does not protect against such contingencies as sneak-theft, embezzlement, confidence game or mysterious disappearance.

If the office of the assured employs more than two custodians, the extra employees should be covered by a Messenger Robbery policy, and in order to avoid any dispute in the event of a loss the two custodians who are covered in the Office Burglary and Robbery policy should be designated.

—"Fireman's Fund Record"

## **How much is peace of mind worth?**

**ASK** the man who has secured the future of himself and his family with life insurance.

He will tell you that it's worth more than it costs to know his family is safe, no matter what happens.

*John Hancock*  
MUTUAL  
LIFE INSURANCE COMPANY  
OF BOSTON, MASSACHUSETTS

JOHN HANCOCK INQUIRY BUREAU  
197 Clarendon Street, Boston, Mass.

Please send me information about life insurance for protection.

Name .....

Street and No. ....

City ..... State .....

C. F. M. 9-34

**CREDIT and FINANCIAL MANAGEMENT . . . . . SEPTEMBER, 1934**

## Business must plan!

(Cont. from page 19) *Other income and expenses including income taxes.* Experience subject to probable conditions will be the basis for estimates of these items. The projection of cash receipts and disbursements will afford a basis for estimating interest charges. Income taxes can be estimated from the results shown by the summary of operations. This summary will also indicate whether there are any profits available for dividends.

*Cash receipts* arising from accruals and sale of regular products may be projected on the basis of turnover of receivables. Doubtful and slow items should first be deducted and projected independently. Miscellaneous receipts should be projected on the basis of past experience and probable conditions.

*Cash disbursements for accounts payable.* Merchandise purchases, selling, distribution and administrative expense, capital expenditures and accruals should be projected. For a manufacturing concern disbursements should be further segregated into materials, supplies, payroll (direct and indirect labor) and overhead expenses.

*Other disbursements,* as interest, dividends, investments and redemption of obligations.

All department heads should participate, submitting estimates for their departments. When these estimates are all in, a conference in which all of these department heads should participate should be called and all figures carefully gone over. This will greatly reduce the possibility of errors creeping in and will place a definite responsibility upon the department heads. Should their department fall out of line at a later date they can be confronted with their own figures. They cannot disclaim responsibility as in the case where the figures are forced upon them.

It will be seen from the foregoing that a clear picture of the business as a whole and its component parts will be obtained, which will permit the coordination of effort. It will also illustrate to all concerned that no one department is all important but that each is dependant on the others and thus eliminate self-centeredness. A business like a chain is as strong as its weakest link. The purchasing, manufacturing, sales, financial, credit and accounting departments are all links in the chain which is the business.

The author does not hold out that a budget in itself is an assurance of business success. It is also necessary that the budget be adhered to as closely as possible and when a departure therefrom becomes necessary the budget be adjusted to meet the changed conditions. Forms for each department should be prepared in the same manner as for the budget estimates from department heads. The budget figures for the period whether month or quarter should appear in one column opposite the items. In the next column should appear the actual. The difference should be cast into a third and fourth column, one indicating over the budget and the other under the budget. Differences should be taken up with the department heads. In this manner deviations can be checked. A check may reveal laxness in regard to some items and that others in the budget require modification. The same leaks can be guarded against for the balance of the year, instead of viewing them with regrets at the end of the year.

Statements of cash receipts, and disbursements showing also accruals should be prepared by the financial and accounting departments and compared with projected figures for differences.

The profit and loss statement, and balance sheet should also be compared with the projected figures of profit and loss, and balance sheet.

It will be apparent to the reader that the budget (projected figures) acts as a measuring stick or charted course against which actual can be compared.

Work sheets and forms for comparison can be made up in whatever form is desired.

The budget used in this manner will prove of considerable value and more than warrant the work involved in its preparation. To just prepare it and then file it away and forget about it until next year when the next one is to be prepared, as is sometimes done, is not going to benefit the business. It must be used. Some look at a budget as something to get done and over with as if it were a necessary evil. The wise use of it will make it indispensable. It is a good illustration of planning ahead in business.

### Wanted: a map?

Angry Guide—"Why didn't you shoot that tiger?"

The Timid Hunter—"He didn't have the right kind of expression on his face for a rug."

## Lister T. Watts

(Cont. from page 37) service in an official capacity, his record has never been approached by any other man in the Washington Association.

But he was not only active in local affairs. He was appointed to serve an unexpired term as a director of the National Association of Credit Men in 1926 and elected to serve a full term on the Board of Directors at the Seattle Convention in 1928.

We mourn his loss.

## Community credit policy

(Cont. from page 28) within 30 days from the date statement is rendered. No carrying charge under 5¢ is allowed. At Youngstown, it was also agreed that a carrying charge of one-half cent per month shall be charged on any lay-away balance—also known as "will-calls"—and paid after 30 days on exactly the same plan as for regular accounts.

## Business thermometer

(Cont. from p. 25) in the production levels in the automobile industry. These lowered production schedules reflected the seasonal slowing up on retail orders plus a small falling off from the burst of business earlier in the year. One of the interesting situations in the automobile trade in August was the increase in complaints on NRA code violations. Claims of "chiseling" by dealers who were getting hungry for business were filed from several sections. Appeals were made to the manufacturers and also to the NRA code authorities to stop these practices, which consisted for the most part in higher trade-in allowances than the code schedules specified. It is as yet too early to report what happened to the complaints and how many of the culprits were punished and in what way.

### Mamma's boy.

Visiting Mamma: "I wish to find my son, the Honorable Fitzalan Fitzwalter, Fitzclarence Vere de Vere."

Schoolboy: "I'll have him send to you in a minute, Madam. Here, Jones, go and tell young Flat-Face he's wanted at once."

## Budgetary control

(Cont. from page 35) control; if they do not arrive until February 22nd they will be of little value. For this reason the questions of the content of reports, responsibility for them and a time limit for their preparation should be given careful thought in preparing the general plan for budgetary control.

I have found that it is often necessary to have such reports prepared before the general books are posted by the accounting department. They may not be quite so exact as would be the case if prepared after the general trial balance was drawn off, but the time element is of much greater importance than any small discrepancies which can later be corrected.

The length of time to be covered by the budget period must of course be determined by the budget committee at the time the general plan is prepared. It should be arranged so that the accuracy of the estimates can readily be checked. This means that, since the information necessary to prove their correctness will come in large part from the accounting records, the budget period should end on the same date as an accounting period.

The length of the budget period should be based upon the needs of the particular business. The usual length is for three, six or twelve months. Under some conditions, however, it may be found that only one month can be definitely forecast. It is advisable when a short term is covered such as one to three months, to outline a general estimate for a year which gives them a perspective of the plans of the business for a sufficient length of time in advance to enable the executives to adjust their plans to the general program without the necessity of making abrupt changes.

The actual budget period covered, such as for three months as mentioned above, provides a definite, clear-cut program for the immediate future which can be used as the basis of current operations. It should be arranged to show estimates for each month of the period so that monthly comparisons between the actual and estimated results can be made and necessary action taken promptly.

It should be emphasized that in order to secure satisfactory results the plan for preparing, installing and operating the budget should be carefully worked out

in advance. Every executive and employee concerned will not, of course, be able to secure a complete realization of what the plan involves before it is installed, but the more that is done to acquaint them with the program beforehand the less difficulties will be encountered in its operation.

In case the business is of considerable size with a number of departments it is advisable to have prepared a manual which outlines the budget program and the procedure to be followed by all departments and units of the business. Such a manual will frequently be found to be very helpful even in the case of smaller concerns.

It will not be possible within the scope of this paper to go into any detail regarding the preparation of the esti-

They are also viewed from the standpoint of estimated profit. Necessary revisions are made in the sales budget which then becomes to a large extent the basis for the following estimates:

Selling Expense Budget.

Advertising Budget.

Production or Purchases Budgets.

Plant and Equipment Budget.

Expense Budgets.

Financial Budget.

These budget estimates except the financial budget will then, after any required revisions, be formulated into a general operating budget for the business. The financial budget will be prepared from the information supplied by the other estimates and the financial records. As this budget is perhaps of more interest than the operating depart-

### SUMMARY OF FINANCIAL REQUIREMENTS

For Quarter Ending March 31, 1934.

	January	February	March	Total
Cash Balance at Beginning of Month	5000.00	7000.00	4000.00	5000.00
Receipts	20000.00	16000.00	22000.00	58000.00
Total	25000.00	23000.00	26000.00	63000.00
Disbursements	18000.00	27000.00	20000.00	65000.00
Excess of Disbursements		4000.00		2000.00
Loans Required		8000.00		8000.00
Cash Balance at End of Month	7000.00	4000.00	6000.00	6000.00

mates of the different departments. A few general remarks relative to departmental budgets will, however, be attempted.

In the case of a merchandising or manufacturing concern the basic estimate is usually that made by the sales department. This is because, since the object of operating a business is to make a profit and sales conclude the process by which profits are realized, the activities of the sales department exert a great influence over those of all other departments.

The sales department prepares its estimate based upon the following:

1. The general plans and policies of the business.
2. Trade conditions.
3. The amount and nature of previous sales.

For the purpose of financial control estimates must be made in terms of dollar values, but for the purpose of sales, production and purchases the estimates should be made in terms of physical quantities. When the sale estimates have been turned in they are considered in the light of production or purchases necessary to fulfill sales expectations.

mental budgets to credit men, a more detailed explanation of it will be given.

A concern a few years ago made a large net profit, and immediately thereafter, although it showed a satisfactory surplus, went into the hands of a receiver because it was unable to pay its current obligations. It had used all of its current funds to enlarge its plant and purchase equipment. It had also gone heavily into debt for the same purpose. This perhaps is an extreme case, but it has been my experience that more business concerns fail because the executives give most of their attention to profit planning and too little to financial planning.

Your credit reports will show that one of the principal reasons for business failures is "lack of capital." In a sense all failures are due to lack of cash to meet maturing obligations. This difficulty could in many cases have been prevented if financial requirements had been estimated and plans made to meet these requirements. A surprising number of concerns especially small firms do no financial planning worthy of the name. They wait until they urgently need funds before attempting to secure them and then they are unable to get them. Frequently, they undertake plans

which would not have been attempted had the managers realized in advance the financial requirements involved. The smaller concern has fewer reserves of funds and credit to fall back upon than has the larger business and consequently the lack of sensible planning of its finances may be more swiftly fatal than in the case of the big firm.

A simple form should be provided on which to make the estimate of cash receipts from all sources. Usually a fairly constant proportion of retail sales are for cash. The average number of days customers' accounts remain uncollected can easily be determined from the records if not already known. The two items, cash sales and collections on receivables, are the principal sources from which funds are derived in the case of a trading concern. With receivables at the beginning of the period and estimated sales taken into account, the estimated receipts can readily be arrived at. Receipts from investments, from interest or from other sundry sources are usually small and are included in the estimate of cash received.

The estimate of disbursements is prepared from the departmental expense budgets, the plant and equipment budget, payments to be made on obligations outstanding at the beginning of the period plus those incurred for purchases and maturing during the budget period, and any sundry payments to be made.

The estimates of receipts and of disbursements are then combined into a financial summary which indicates the months during which loans will be needed and amounts required, as shown in the example on page 40.

The foregoing example is suggestive only. Any form which summarizes the financial position and indicates cash requirements with sufficient frequency throughout the budget period to take care of financial needs will suffice.

The following brief discussion of some of the more significant advantages and limitations of budgetary control may enable a clearer perspective to be gained.

#### Advantages:

1. Intelligent estimates of sales possibilities combined with planning of purchases or production in proportion to sales requirement:

- (a) Prevents the carrying of excessive inventories with consequent tying up of finances.
- (b) Produces a better turnover with resultant decreases in loss through obsolescence.
- (c) Enables a better gross profit margin to be obtained.

2. Gives the management the means for the necessary control of expenses by:

- (a) Requiring preparation of expense estimates by each department head which must be approved by budget committee.
- (b) Prohibiting any expenditure in excess of departmental estimates without permission of budget committee.
- (c) Requiring monthly reports showing comparison between actual and estimated expenditures.
- (d) Providing a procedure for the examination of such reports promptly by executives so that necessary action can be taken in time to produce results.

3. Perhaps most important of all from the standpoint of the prompt payment of bills, it formulates a sensible finan-

cial program which provides for:

- (a) Estimating cash receipts for each month of budget period based on the sales program and the estimate of collections.
- (b) Estimating cash disbursements for each month based on anticipated departmental expense, purchases or production costs, additions to plant and equipment, and payments on existing obligations outstanding.
- (c) Preparation of a financial summary indicating any excess of expected disbursements over available cash, which enables plans to be made in advance for meeting such requirements, or, if that cannot be done, to change the entire program before becoming hopelessly involved.
- (d) Centering of attention on collections with consequent improved turnover of receivables.

(Continued on page 42)

## Willard Haff

New York Credit Men and members of the credit profession throughout the country were shocked to learn of the death on Tuesday, August 14, of Willard Haff, Credit Manager for Wellington Sears and Company, Dry Goods Commission Merchants of Boston and New York.

For years Mr. Haff was an active worker in the New York Credit Men's

Association and the National Association of Credit Men. He was Vice-President of the New York group during 1932, served on many important committees, and was a regular delegate to credit conventions for many years, frequently speaking at group meetings.

P. M. Haight, Secretary-Treasurer of the International General Electric Company, and Vice-President of the National Association of Credit Men, and William Walker Orr, Secretary of the New York Credit Men's Association, represented the credit profession at the services.

## "THIEVING ON A SCHEDULE"

PUBLICIZED banditry is spectacular, but its take is insignificant compared to the loot of thieving employees. The bandit operates once in a while but the thieving employee operating on a regular schedule is a constant menace.

Insist on fidelity insurance. It is for the best interests of both your credit applicant and yourselves.



"Consult your Agent  
or Broker as you would  
your Doctor or Lawyer"

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## In the modern office

An idea and experience exchange on equipment, system and management in the modern credit and business office.

### R. S. V. P.

Use of a mail order business reply card attached to either an invoice or statement form has helped to bring an increase of 40 percent in the mail order business of one company. The company started using these forms in February, "Domestic Commerce" reports, with a result that many customers have checked off their needs on a card and dropped it in the mail and made out their reports for payment.

### Guide to lamps

Of interest to "the man at the desk" is the new Marks Catalog for Office and Home Desk Lamps. This 24 page guide to desk lamps tells the story of every conceivable type of desk lamps—as well as bed lamps and clamp lamps. Fifty different numbers are described—most of them illustrated. List prices range from \$1.00 to \$10.00.

Of particular interest will be the inexpensive gooseneck and rigid-arm lamps for general all-around use—also the executive's desk and library lamps for use by staff members who spend much of their time at their desks. If you wish a copy of the new catalog, simply address a note to the Editor or write to the Marks Manufacturing Co., 521 W. Monroe St., Chicago.

### Stratosphere insurance

The public liability insurance covering the Stratosphere expedition was

written by the U. S. Aviation Insurance group. It was participated in by all the members of the Casualty Division of the U. S. Aviation Insurance group including the Aetna Casualty and Surety Company, the Hartford Accident and Indemnity Company, the Century Indemnity Company, the New Amsterdam Casualty Company, the Maryland Casualty Company, the United States Fidelity and Guaranty Company. No insurance covering the balloon or its equipment was written by the Group.

### Debtors' bodies once cut up by creditors

"In ancient times the Laws of the Twelve Tables provided that if several creditors had claims against the same debtor they might dissect the debtor's body and each take his proportionate share."

So says William Jerome Kuertz, Cincinnati, bankruptcy referee, in discussing the history of bankruptcy.

"The Bible tells of slavery for debt existing among the ancient Hebrews," he continued. "As time went on actions for debt became directed against the property of the debtor instead of his person."

"Julius Ceasar made the first bankruptcy law resembling modern law. England's first bankruptcy law was passed in 1542."

### Budgetary control

(Continued from page 41)

4. Provides for the coordination of all of the activities of the business to the end that a net profit be obtained and funds be available for liquidation of maturing obligations, and also provides the machinery for enforcing such coordination.

#### Limitations:

1. The budgetary program is based upon estimates which will seldom or never exactly agree with actual results, consequently unless common sense is exercised there is the possibility of failure of the program through premature disappointments.

2. Budgetary plans will not execute themselves. Constant vigilance on the part of business executives is necessary.

3. Budgetary control programs cannot take the place of business management. They are only a tool to enable management to function intelligently. A fa-

mous American executive has said, "There is no substitute for management."

A word of warning might be added also that tact and above all patience is required in the installation and operation of budgetary control, as such a program cannot be perfected at once. Then, too, a budget is most effective usually when it is stopping some one from spending some money or inaugurating some program he greatly desires, hence budgets are seldom very popular. It might almost be said that their value is about in inverse ratio to their popularity.

### National census of business

(Continued from page 36) with stocks; manufacturers' sales branches, without stocks; brokers; commission merchants; export agents; import agents; manufacturers' agents; selling agents; other agents; assemblers and country buyers; cooperative marketing associations; elevators; and cream stations. (2) For cities of 50,000 population and over, not strategic cities, by 25 kinds of business for the following 4 types of establishment; wholesale proper, manufacturers' sales branches, agents and brokers, and all other types combined.

### Leather: to and from

United States imports and exports of leather manufacturers and exports of all types of leather during the period 1921-33 are analyzed in two bulletins just issued by the Leather-Rubber-Shoe Division of the Bureau of Foreign Domestic Commerce. These bulletins, especially timely because of impending reciprocal tariff negotiations, may be obtained for 10c each from the Leather-Rubber-Shoe Division, U. S. Department of Commerce, Washington, D. C.

### Making the Ass'n "click"

(Cont. from p. 13) executive position that he is privileged to be familiar with. A man in that position cannot be a "jack of all trades"—he must be an expert in most of them.

It seems to me even where an Association may have the makings for a most enthusiastic membership and a high spirit of cooperation may prevail, all of these fine attributes for successful operation are likely to prove nothing

more than a memory if leadership is lacking. Such leadership will not just "happen" because of a surrounding array of strong Directors. A Director cannot be expected to assume responsibility for or to know much about the detail work of the organization. A Board of Directors, however, is responsible for the management and it is their duty to appoint the proper man for the position, and, as the ultimate body of control to see that the policies and practices followed, and the results obtained, are in conformity to the best interests of the members.

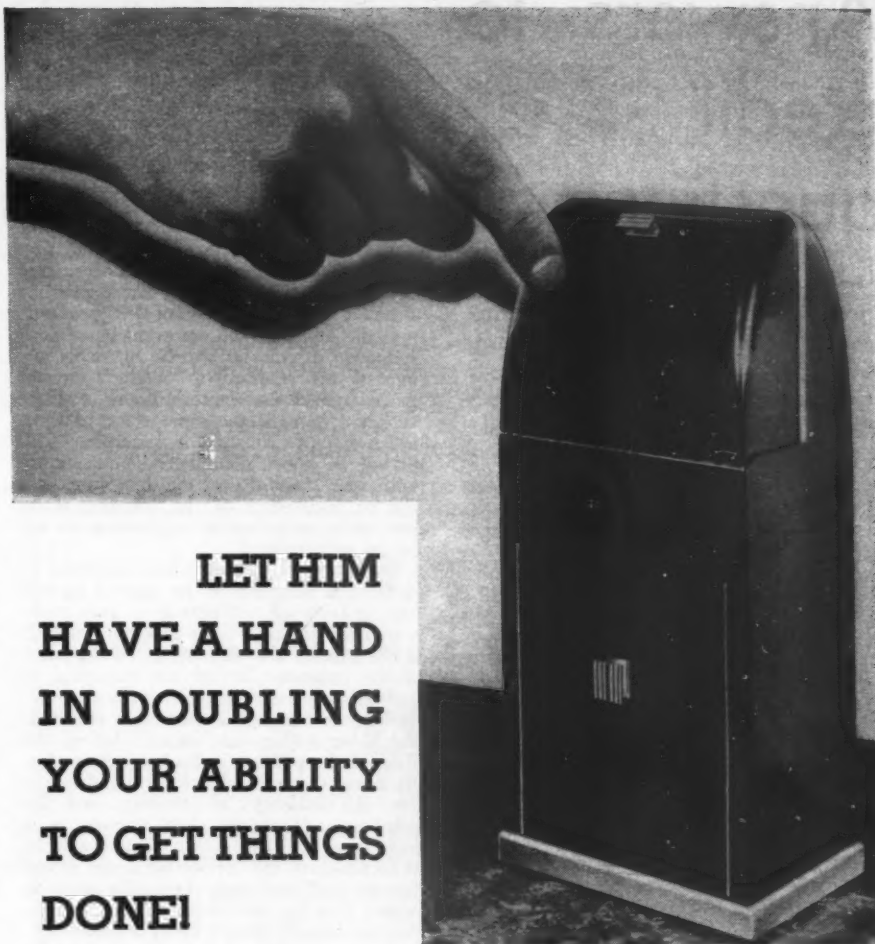
We, therefore, cannot get away from the fact that the man who is actually accountable to his officers and members for the progress of the organization is no one else than the Secretary-Manager. He should be the guiding spirit. A fine, loyal membership is simply wonderful, and, not only that, absolutely necessary, but what causes a member to stick? A well-managed Association and nothing less.

In the writer's opinion, the permanent loyalty of members may be held to a degree corresponding exactly to—but not in excess of the quality and scope of the service being rendered. The ideal Association set-up is:

- (1) An Association whose sole aim is beneficial service to its members.
- (2) A Board of Directors who direct.
- (3) A Secretary-Manager who is absolutely impartial in his attitude, beholden to no "click," and serving the membership as a whole.

And so it goes. I make the prophesy that the National Association of Credit Men will grow in importance and power as each affiliated Association, through the leaders in its membership, improves the usefulness of its respective services to members by virtue of highly efficient management, under the control of interested and alert officers and directors.

The advancement of the credit profession, as a necessary requirement to business, has been, I believe, fairly progressive during the period of time in which I have been able to watch it. I believe that business men are growing more and more in the belief that proper credit control, not only in receivables, but in every phase of business, constitutes a prerequisite to normal progress, and unquestionably the past four years of tragic experience in business enterprise has confirmed the credit man's belief in the importance of his task.



## LET HIM HAVE A HAND IN DOUBLING YOUR ABILITY TO GET THINGS DONE!

There is one man in your organization who has the responsibility for getting things done. He is your general office executive. If he is like most men running an office, he hears quite a lot from you about smoothing things out and saving money. Then he revises the set-up a bit. You emphasized saving money. Soon he hears a cry of pain because things don't go through as quickly and smoothly as they did before.

But don't think that he doesn't know his business. HE DOES! And he knows how to double your ability to get things done, if you'll let him. He also knows how to make the saving you wanted. You probably haven't even dreamed that it could be as much as 50%, but he KNOWS that it can.

"Then why hasn't he done it?"

There are probably two reasons. First, an investment is involved—trifling compared to the money it will save. Second, the instrument which he feels you would accept for your own office has only recently been produced. (illustrated above). But try him NOW. Ask him to have the new De Luxe Cabinet Dictaphone shown in your office. Executives from coast to coast say that it changes their whole attitude toward the use of a dictating machine.

Send coupon for "Progress" portfolio or phone Dictaphone in your city today for a demonstration. They won't subject you to high-pressure selling. They are busy keeping up with such requests. This instrument speaks for itself.

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# Answers to credit questions



Conducted by E. B. Moran

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in *Credit and Financial Management*. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of law involved.

## 1. Collection of Attorney's Fees on Promissory Notes

*Q. Is it possible in the State of Georgia to collect the usual 15% commission or attorney fee if included in notes accepted in settlement of accounts? In other words, including in the notes a clause providing for the payment of all costs of collection including 15% of the principal, interest and any other attorney fees that may be incurred?*

A. Obligations to pay attorney's fees upon any notes or other evidence of indebtedness, in addition to the rate of interest specified therein, are void and no court shall enforce such agreement to pay attorney fees according to Section 4252 of the Civil Code of Georgia unless the debtor shall fail to pay such debt on or before the return day of the court to which suit is brought for the collection of the same: Provided the holder of the obligation sued upon, his agent or attorney, notifies the defendant in writing, ten days before suit is brought of his intention to bring suit and also the term of the court to which suit will be brought.

Shaw vs: Probasco reported in 139 Ga. 481 clarifies the above section of the law. That case holds that in order for attorney's fees provided for in promissory notes to be recovered the holder of the note, his agent or attorney "must notify the defendant in writing" ten days before bringing suit of his intention to sue and he must further inform the defendant of the term of court to which suit will be brought.

Since this law is statutory it is imperative that the statute be followed closely to avoid its forfeiture provision.

## 2. Taxation

*Q. A borrows \$50,000.00 at 6% interest, and invests it in municipal bonds. He paid \$3,000.00 interest on the loan. Is this \$3,000.00 deductible when computing his income tax?*

A. It is not deductible. The statute states that interest paid or accrued within the year on indebtedness incurred or continued to purchase or carry securities, such as municipal bonds, the interest on which is wholly exempt from tax, the interest on the loan is not deductible, except in the case of an original subscriber of United States obligations issued after September 24, 1917.

## 3. Bankruptcy

*Q. Under the bankruptcy act when is a preference created?*

A. Section 60 of the bankruptcy act covers this point. It reads as follows:

a. A person shall be deemed to have given a preference if, being insolvent, he has, within four months before the filing of the petition, or after the filing of the petition and before the adjudication, procured or suffered a judgment to be entered against himself in favor of any person, or made a transfer to any of his property, and the effect of the enforcement of such judgment or transfer will be to enable any one of his creditors to obtain a greater percentage of his debt than any other of such creditors of the same class. Where the preference consists in a transfer, such period of four months shall not expire until four months after the date of recording or registering of the transfer, if by law such recording or registering is required or permitted.

b. If a bankrupt shall have procured or suffered a judgment to be entered against him in favor of any person or have made a transfer of any of his property, and if, at the time of the transfer, or of the entry of the judgment, or of the recording or registering of the transfer if by law recording or registering thereof is required, and being within four months before the filing of the petition in bankruptcy or after the filing thereof and before the adjudication, the bankrupt be insolvent and the judgment or transfer then operate as a preference, and the person receiving it or to be benefited thereby, or his agent acting therein, shall then have reasonable cause to believe that the enforcement of such judgment or transfer would effect a preference, it shall be voidable by the trustee and he may recover the property or its value from such person. And for the purpose of such recovery any court of bankruptcy, as hereinafter defined, and any State court which would have had jurisdiction if bankruptcy had not intervened, shall have concurrent jurisdiction.

c. If a creditor has been preferred and afterwards in good faith gives the debtor further credit without security of any kind for property which becomes a part of the debtor's estates, the amount of such new credit remaining unpaid at the time of the adjudication in bankruptcy may be set off against the amount which would otherwise be recoverable from him.

d. If a debtor shall, directly or indirectly, in contemplation of the filing of a petition by or against him, pay money or transfer property to an attorney and counselor at law, solicitor in equity, or proctor in admiralty for services to be rendered, the transaction shall be re-examined by the court on petition of the trustee or any creditor and shall only be held valid to the extent of a reasonable amount to be determined by the court, and the excess may be recovered by the trustee for the benefit of the estate.

—o—

"Mother—" began little Mary, Her parent, who was in earnest conversation with a friend, motioned her to be quiet. A few minutes went by, and the child again said:

"Mother."

"Mary," said her mother sharply, "you must wait until I have finished before you speak."

The child shook her little head.

"But, mother," she replied, "you never finish."

**Can you stand  
on your feet?**

(Cont. from page 26)

these), "The Present Liquor Problem," "Beneficial Effects of Bee Stings," and many, many other subjects were spoken on during the course of the year.

To enable the student to get a knowledge of handling a meeting—in addition to instruction in public speaking—a chairman was appointed by the instructor, the chairmanship being rotated each meeting. The chairman's duty was to call on the speaker, at the same time appointing another student as critic. Five minutes time was allotted each student, the chairman rapping the gavel at four minutes to let the speaker know he had one minute more in which to conclude his talk.

Immediately after the talk the critic proceeded to outline the good and bad points of the speech. This was later followed by the instructor's oral criticism on any points that might have been omitted by the student critic. This criticism was reduced to writing by the instructor and handed the student at the end of each night's work. This written criticism enabled the student to study his weaknesses, with an eye toward eliminating them.

Some time during the course of the evening a mimeographed lesson was given each student, on which the instructor lectured for from ten to twenty minutes, pointing out and emphasizing the important parts. This often was followed by drill work on words frequently mispronounced. Again, class drill might be on either prose or poetry to bring out inflections, delicate shadings, the use of the pause, rate of speed, rhythm, or a myriad of other things which the study of Public Speaking must take into consideration.

The four fundamentals of Public Speaking are: (1) Thought, (2) Language, (3) Voice and (4) Action.

While these may be enlarged upon a hundred fold they may also be reduced to two prime requisites: (1) Knowledge of your subject and (2) Selling it to your audience.

The latter is by far the more difficult, combining as it does the proper use of the voice and all the mechanism of physical activity that goes to convince your audience you are thoroughly sold on your subject.

If your particular Association does not already sponsor a class in Public Speaking, you can undoubtedly prevail upon your Secretary to get one started.

## Why Credit Interchange?

(Cont. from p. 7) obtain right then and there a Credit Interchange Report so that we may decide, before a great deal more credit has been extended, just what to do and when to do it.

Let me give you a little tip that is not original or new, but was passed on to me by R. H. Johns, able Manager of the Cincinnati Interchange Bureau of the National Association of Credit Men: Subscribe as soon as you possibly can for continuous service on all of your delinquent accounts. This will bring three fresh reports to you during the year at a cost of only \$1.20 to \$1.80 (depending upon your contract) which will automatically bring to your attention the vital information that you need at the right time to guide you safely in extending credit to any slow paying customers that you may have.

Although it is a very great pleasure for me to take every opportunity that presents itself to put in a good word for Interchange, I have a decidedly selfish reason for doing so. Say, for example, that tomorrow every business house in the country decided to join the Credit Interchange and turn in their lists of accounts. Isn't it fair to assume that the information on pay habits would be so complete that anyone using just a little "horse sense" could not possibly go wrong on future credit extensions? Believe me, if there is a law passed at some time in the future to compel everyone in business to become a member of the Interchange Bureaus, a great many more credit men will have an opportunity to play golf.

It is up to you and me, therefore, to actively support the Association and "to spread the gospel" of Credit Interchange. Everyone can benefit their own business by using this speedy, accurate, economical, and safe service.

In the words of our able and distinguished Secretary, Mr. T. G. Murphey, at Cleveland, "The Credit Man's Association has been a potent factor in the business world. I shudder to think what the situation might be today were it not for what it has accomplished. It is certainly worthy of our support."

### Candor

Visitor: "Well, Joe, how do you like your new little sister?"

Joe: "Oh, she's all right, I guess; but there are lots of things we needed worse."

## Credit mechanics

(Continued from page 11)

Therein lies the answer to the place of the credit executive. Credits may be considered as the dynamo which must function if the wheels of industry are to turn. This dynamo will continue to operate most of the time without constant attention, but it must always be subject to skilled human oversight and control. If such expert control is not available at a time when it is needed, one of two things may happen. There may be a failure to produce any power

at all, thus bringing business stagnation, or there may be an excess of uncontrolled power, thus causing business destruction. The credit executive should be—must be—if we are to prosper, the expert engineer who knows when to hit and where to hit. The dynamo must be of the best material. Too much is at stake to use inferior machinery in credit work; but the most perfect machinery will fail to function satisfactorily without competent human control. Good credits require the best mechanical methods, material and processes possible; but the proper handling of credits can never be a mechanical process if business is to prosper.

## Taking Needless Chances Means LOSS

Before granting credit you ask questions about ability-to-pay. Behind that ability must stand a will to deal fairly, a reputation for dependability, a way of doing business that breeds confidence.

But, given all these qualifications, your credit risks are still vulnerable to unexpected, unpreventable, but insurable losses of a dozen kinds. Of course, you see to it that these possibilities—loss of plant or store by fire or windstorm, loss of income by the interruption of business, loss of rental income—are insured against.

Do you also see to it that the insuring companies, as well, live up, in practice and reputation, to the standards you set in granting credit? If not, perhaps you'd better start now. One good way is to ask for

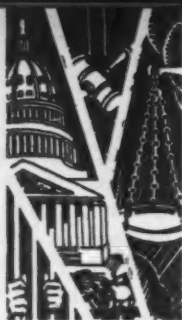
The  
**LONDON ASSURANCE**

The  
**MANHATTAN**  
Fire and Marine Insurance Company

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**UNION FIRE,**  
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Write for the names of our agents in any community.



## Court decisions



### **BANKRUPTCY. TURN-OVER ORDER. ALLEGED VIOLATION. CONTEMPT. BULK SALES ACT. NON-COMPLIANCE. EVIDENCE. (N. Y.)**

Morris Schoenberg was adjudicated a bankrupt in September, 1931 upon his voluntary petition. Prior to 1931 he had conducted a retail shoe business in his own name at 643 Myrtle Avenue, Brooklyn. In December, 1930 he caused to be organized a corporation by the name of M. Schoenberg, Inc. (the appellant), and to this corporation he made a lease of the store and delivered a bill of sale conveying the merchandise and fixtures of his business in exchange for its capital stock. Its officers were the bankrupt, his wife, his daughter and his son-in-law. Since January 2, 1931, the business has been conducted as that of the corporation. The bankrupt testified that the incorporation of his business was pursuant to an agreement made with his merchandise creditors to accept his notes, with endorsers, for 60 per cent of the debt, and that the corporation had assumed payment of these notes and was still paying them off. At the date of the transfer to M. Schoenberg, Inc. the bankrupt had creditors other than merchandise creditors. Almost all his creditors at the date of bankruptcy had also been creditors at the prior date. In December, 1931 the trustee in bankruptcy filed with the referee, a petition charging that the aforesaid transfer was void under the Bulk Sales Act (N. Y. Pers. Prop. L. sec. 44) and praying that the corporation be ordered to turn over possession of the assets transferred and account for such of them as it had disposed of. The corporation answered setting up its claim of title, and its compliance with the Bulk Sales Act, and denying summary jurisdiction. After hearings the referee ordered appellant to turn over the shoes and fixtures transferred to it by the bankrupt or \$15,579.40, their value, within five days after service of a copy of the order. The order was made on August 23, 1932, and on August 30th, the corporation petitioned for review by the district court, which confirmed the order, without opinion, on October 24, 1932. In the meantime, on September 9, 1932, the trustees in bankruptcy petitioned the district court for an order adjudging the corporation and its treasurer (the bankrupt) in contempt of court for failure to comply with the referee's order of August 23rd, alleging that the time for compliance had expired on August 30th. In opposition thereto an affidavit of the bankrupt was filed to the effect that the corporation had on hand only a few of the original shoes transferred to it and was ready to turn them over, together with the store fixtures, if the referee's order should be confirmed. On October 24th, the same day that the cor-

poration's petition for review was denied, the court entered the second order appealed from, holding the corporation and its treasurer in contempt and directing that the latter be confined until the contempt of court should be purged, or the court discharge him.

Held that the first question presented concerns the jurisdiction of the referee. The trustee contends that the appellant consented to hearings before the referee. Jurisdiction cannot rest upon consent. Apparently the referee decided that the claim was merely colorable. The bankrupt admitted in his testimony that his note creditors, as distinguished from merchandise creditors, had not been notified of the transfer, but it was contented that the notes were void for usury. However, as judgments had subsequently been gotten on two of the notes without the interposition of such defense, this contention was plainly an afterthought and without substance. Where the transferee is a corporation organized by the bankrupt to continue his business, with a capital stock representing only the assets transferred, with the bankrupt remaining in control of the business, and with an admitted failure to comply with the Bulk Sales Act, a finding is justified that the corporation is a mere cloak for the bankrupt and its adverse claim merely colorable. Jurisdiction of the referee is therefore sustained. But the turnover order cannot stand. A turnover order presupposes that the person against whom it is directed has possession of the property or money which he is directed to deliver up. In the case at bar the trustee made no attempt to show what part of the merchandise originally transferred was still on hand or that the appellant had the sum of money which in the alternative it was directed to pay over. There was no evidence of any concealment of merchandise or money. The referee made no finding that appellant had possession of either the goods or money equal to their value at the date of the order. The record furnishes no basis for an order directing delivery of the goods originally transferred or, in the alternative, the sum of \$15,579.40. Accordingly the turnover order must be reversed and the cause remanded for further proceedings in conformity with this opinion. The order holding the appellant in contempt must also be reversed. The record is barren of any evidence of defiance of the referee's order. In fact the bankrupt's affidavit in opposition to the motion shows the corporation's willingness to comply, if the district court should confirm the order, insofar as goods and fixtures are still in its possession. Any claim based on the New York statute for the value of goods disposed of could only be enforced by judgment and execution, not by imprisonment for contempt. Both orders reversed. *Matter of Schoenberg* (M. Schoenberg, Inc.) U.S.C.C.A. 2nd Cir. (N.Y.).

### **PURCHASE FROM CHATTEL MORTGAGEE. INDEMNITY AGAINST LOSS. CONTRACT TO SELL WHEAT. BREACH. MEASURE OF DAMAGES. (WASH.)**

Sullivan was a tenant on the farm property of defendant and was the owner of sixty hogs upon which the Port Angeles Grain & Egg Co. had a chattel mortgage of \$1,500. Sullivan was about to become bankrupt. Defendant agreed to take a bill of sale of the hogs and gave his promissory note to the Port Angeles Grain & Egg Co., which thereupon satisfied the chattel mortgage on the hogs. It also agreed with plaintiff to indemnify him if for any reason the hogs should be lost to him. When defendant took an inventory, there were only sixty hogs instead of eighty. Thereafter, Sullivan was adjudicated a bankrupt, and all of the

hogs were claimed by the trustee in bankruptcy as the property of Sullivan, and the claim of the defendant thereto was disallowed as being a preference in bankruptcy. Defendant was compelled to pay to the trustee in bankruptcy of Sullivan, \$535, to settle the claim of unlawful preference. Also, plaintiff's assignor purchased from defendant twenty tons of machine run wheat and agreed to take the wheat from defendant as the same was threshed, but later refused to take the wheat.

Held that it rather clearly appears that the hog transaction was wholly between the Port Angeles Grain & Egg Company and the respondent at the solicitation of the grain company and for its benefit; that respondent lent himself to the transaction only to aid the Grain Company to collect its mortgage debt, and did so upon a clear understanding that he would be protected from any loss. While the court likewise accepts the facts as found by the trial court with reference to the sale of the wheat so far as they go, yet the facts found are insufficient to support a recovery on that cause of action. According to respondent's own testimony, the market value of the wheat when it was threshed was \$34 per ton, the contract price. Therefore, there was no loss occasioned by the breach. Having notified the grain company of the time, and it having failed to live up to its contract to take the wheat from the machine, respondent was free to sell it at once, and could have thus realized the contract price. He cannot hold the grain company for the subsequent fall in the market price. Judgment modified by a reduction of two hundred dollars, and as so modified, affirmed. *Washam v. Wood*. Wash. Supreme Ct.

### **CONDITIONAL SALE. WAIVER OF STRICT PERFORMANCE. REPOSSESSION. REQUIREMENT OF NOTICE.**

Mrs. McDonald, who resided in Brinkly, purchased a Frigidaire from Freeman, a local dealer at Helena. The purchase price was \$598 of which \$64 was paid in cash. The balance was to be paid in monthly installments of \$22.25 each. The purchase was made upon a written conditional sales contract, whereby the title was reserved by the seller until the purchase money had been fully paid, and the right was reserved upon default in any payment to retake the possession of the Frigidaire, wherever found and without notice to the purchaser. The payments were not made on or before the 26th of each month as the sales contract required, and Mrs. Hicks testified that Freeman agreed she might have a month's indulgence. In the forenoon of January 26, 1932, Mrs. Hicks remitted from Clarendon a postoffice money order for \$22.25, which, in due course of the mails, would have been received by the corporation at its Memphis office not later than January 27. The corporation had from time to time written Mrs. Hicks about her payments, but in none of those letters had it been intimated that the corporation would take possession of the Frigidaire if the payments were not made in strict accordance with the sales contract. On the afternoon of January 27, after the money order had been mailed in the forenoon of the preceding day, an agent of the corporation broke into and entered the building where the Frigidaire was stored and removed it. This was done without demand or notice to Mrs. Hicks. Through the failure to properly lock the building where the Frigidaire had been stored other trespassers entered the building and committed other trespasses, removing certain articles of personal property belonging to Mrs. Hicks which were also stored there. Mrs. Hicks brought suit for the conversion of the Frigidaire, and for the loss of the other personal property. There was a verdict and judgment in Mrs. Hicks'

favor, from which is this appeal.

Held that there had been a waiver of strict performance by the acceptance of delayed payments. This being true, the corporation should have given reasonable notice of its intention to thereafter demand strict compliance, and must have given reasonable time in which to comply, before taking possession of the Frigidaire. Judgment affirmed. *General Motors Acceptance Corp. v. Hicks*. Ark. Supreme Ct.

#### EXPRESS WARRANTY. WHETHER IMPLIED WARRANTY INCONSISTENT. (KANS.)

Action to recover the balance due on two notes in the form of sales contracts for the sale and purchase of theater equipment, where each note or contract was secured by a chattel mortgage on the goods sold. The first note was for a Universal Sound System. The second note was for an amplifier and fader. Defendant pleaded an implied warranty that the equipment purchased was reasonably fit for the work and use for which it was purchased, and that the warranty was breached by the plaintiff. The trial court found for defendant. Plaintiff appealed.

Held that there can be an implied warranty where there is an express warranty. The express warranty states: "If after one picture is run the equipment is not satisfactory, it will be removed and all money returned and contract closed." The express warranty so considered mentions only the matter of the equipment not being satisfactory after one picture. The implied warranty stated "that such equipment was not reasonably fit for the work and use for which it was purchased and to be used." Not being satisfactory may refer to excessive price or excessive cost of maintenance, which are not at all related to the same matter as not being reasonably fit for the work or use for which it was purchased. Affirmed. *J. W. Jenkins Sons' Music Co. v. Stehley*. Kans. Supreme Ct.

#### CONDITIONAL SALES CONTRACT. DEFICIENCY CLAUSE. MORTGAGE FORECLOSURE. RIGHTS OF PARTIES. (ILL.)

Horvitz recovered a deficiency judgment for \$1,631.76 against Leibowitz and others (mortgagors) under a decree confirming the sale of property involved in an original foreclosure proceeding. A receiver was appointed under the same decree to take possession of the property and collect the rents during the redemption period. After the receiver had taken possession of the property, the Stover Company, Inc., filed an intervening petition to reclaim Frigidaires which it alleged were sold to Leibowitz under a conditional sale contract and that he had defaulted in his payments. The chancellor denied the prayer of the reclamation petition and this appeal followed. The agreement between the intervenor and Leibowitz for the purchase of the refrigerators was as follows: "Title to said property shall not pass to the purchaser until the entire amount is fully paid in cash. The purchaser shall keep said property free of all taxes, liens and encumbrances. The property shall remain personal property. In the event purchaser defaults on any payment . . . the full amount shall be immediately due and payable, the seller . . . may take immediate possession of said property without demand . . . and for this purpose the seller may enter upon the premises where said property may be and remove same. The seller may resell said property, so retaken, at public or private sale. In case of deficiency the purchaser shall pay the same with interest and the purchaser does hereby confess judgment in the amount of such deficiency." Held that there is no doubt as to the

character of the instrument when, by its terms, personal property is delivered by the owner to another with the requirement that the title shall remain in the owner until the payment of the purchase price. The transaction is uniformly held to be a conditional sale, and not a mortgage. The document is neither ambiguous nor uncertain in its terms and expresses as clearly as words can the intent of the parties to enter into a conditional sale contract. Conditional sale contracts containing deficiency clauses have been held to be valid. The contract under consideration is a conditional sale contract, it is valid and contains no provisions that render it susceptible of being construed as a chattel mortgage. The receiver did not occupy the position of a sheriff, levying upon the refrigerators in respondent's behalf. The receiver could not seize refrigerators that were personal property, for the purpose of satisfying respondent's deficiency judgment under the decree. Reversed and remanded. *Horvitz v. Leibowitz et al.* Ill. App. Ct., 1st Dist.

#### CHattel MORTGAGE. SUBSEQUENT SALE. RIGHTS OF DISTRAINING LANDLORD. (S. C.)

Action in claim and delivery instituted by plaintiff for the possession of an automobile truck seized by the defendant under a distress warrant for the satisfaction of rent due him by the Biggs Chevrolet Company, his tenant. The Biggs Company, a local dealer in Chevrolet automobiles, at Dillon, entered into possession of certain premises which it had leased from the defendant. As such dealer, automobiles were shipped by the Chevrolet Motor Company to Dillon, to its own order. To each bill of lading was attached a draft for ten per cent of the invoice cost of cars, and an instrument designated by plaintiff as a "trust receipt." The Biggs Company would pay the draft and execute the receipt, whereupon the bill of lading would be released to it. The trust receipt would be forwarded to the General Motors Acceptance Corporation. The truck came into possession of the Biggs Company on October 15, 1931, but the trust receipt executed by it was not recorded by plaintiff until about eight months thereafter. On June 17, 1932, while the truck was still on the rented premises, it was distrained by the defendant for rent due. Judgment was given in favor of the defendant. Plaintiff appeals.

Held that the plaintiff, under the terms of the note, had the absolute right to take a personal judgment against the Biggs Company, upon default in payment, for the balance of the purchase price of the cars. The maker, inter alia, waived all "benefits of valuation, appraisal and exemption laws, and all rights of appeal." Under the decision of this Court, such title retaining paper is to all intents and purposes a chattel mortgage. The trust receipt, which may be treated as a chattel mortgage, was executed on October 15, 1931, but was not recorded until June 9, 1932, at which time the rent due the landlord had accrued and his status as a subsequent creditor was fixed. See *Mather-James Company v. Wilson*. The Biggs Company, sold one of the cars covered by the trust receipt but did not remit the proceeds to the plaintiff as it was found under its contract to do. When the appellant was apprised of this fact, the dealer to remedy its apparent breach of trust, gave to the plaintiff an instrument in writing whereby it parted with its "right, title, interest or equity" in the cars, including the truck. This paper, which in effect was a bill of sale, was executed on June 13, four days before the levy of the distress, and vested in the appellant the legal title to the property. The transfer was for valuable consideration, and no evidence of

fraud was found. There then arose some trouble about past-due taxes on the cars, and before the truck could be removed from the premises by the plaintiff, the landlord levied his distress. Distress for rent can be levied only upon property belonging to the tenant in his own right. The paper executed was equivalent to actual delivery of the cars. Reversed and remanded. *General Motors Acceptance Corp. v. Anderson*. S. C. Supreme Ct.

#### "Sez you!"

Angry Motorist: "Some of you pedestrians walk as if you owned the street."

Angry Pedestrian: "Yes, and some of you motorists drive around just as if you owned the car."

#### Prosperity echo

Teacher: "Tommy, if your father could save a dollar a week for four weeks, what would he have?"

Tommy: "A radio, a new suit, and a set of furniture."—(*Chicago Tribune*).

#### Wanted: a map?

Angry Guide—"Why didn't you shoot that tiger?"

The Timid Hunter—"He didn't have the right kind of expression on his face for a rug."

#### Last stop

A gentleman slipped on the top stair of the subway and started express for the bottom. Halfway down he collided with a lady, knocked her off her feet and the two continued the journey. After they reached the bottom the lady, still dazed, continued to sit on the gentleman's chest. Looking up at her, politely he said, "Madam, this is as far as I go."

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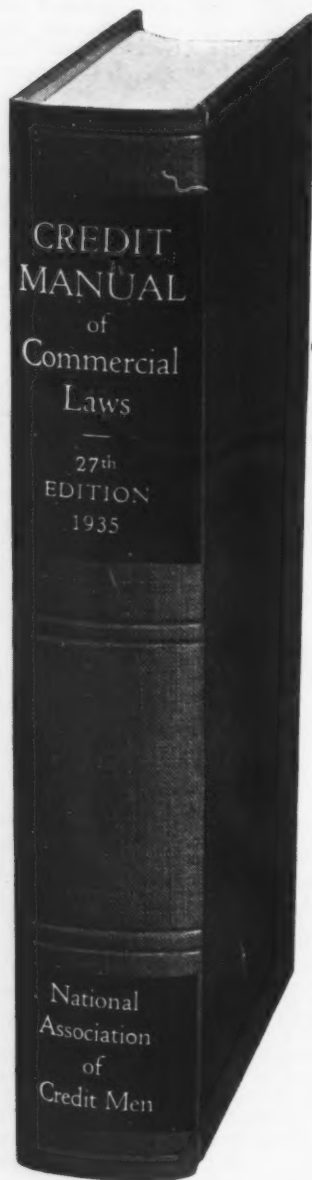
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